

**BUFFALO FISCAL STABILITY AUTHORITY**  
**(A Component Unit of the City of Buffalo, New York)**

**FINANCIAL STATEMENTS**

**JUNE 30, 2020**

BUFFALO FISCAL STABILITY AUTHORITY  
(A Component Unit of the City of Buffalo, New York)

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Buffalo Fiscal Stability Authority

We have audited the accompanying financial statements of the governmental activities and each major fund of Buffalo Fiscal Stability Authority (the Authority), a component unit of the City of Buffalo, New York, as of and for the year ended June 30, 2020, 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.

### Auditors' 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 auditors' 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 entity'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 entity'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 June 30, 2020, 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 management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the 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 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Administrative Expenditures – General Fund is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.



September 23, 2020

## Management's Discussion and Analysis (unaudited)

June 30, 2020

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### Introduction

The Buffalo Fiscal Stability Authority (the "BFSA" or the "Authority") is a corporate governmental agency and instrumentality of the State of New York constituting a public benefit corporation created by the BFSA Act (the Act) – Chapter 122 of the Laws of 2003, as amended, signed by the Governor on July 3, 2003. BFSA has a broad range of financial control and oversight powers over the City of Buffalo (the City) and its non-exempted Covered Organizations including the Buffalo Public School District (the School District), the Buffalo Municipal Housing Authority, the Buffalo Urban Renewal Agency, the Joint Schools Construction Board, and other covered organizations as defined by the Act. The Act provides for the Authority to be in existence until its oversight, control or other responsibilities and its liabilities (including the payment in full of Authority bonds and notes) have been met or discharged, which in no event shall be later than June 30, 2037. The Act provides the Authority different financial control and oversight powers depending upon whether the City's financial condition causes it to be in a "control period" or an "advisory period." During a control period the Authority possesses significantly expanded powers, including the power to impose a wage and/or hiring freeze. During an advisory period, the BFSA operates with a reduced set of financial oversight powers and responsibilities. The BFSA transitioned from a control period to an advisory period on July 1, 2012. An advisory period shall continue through June 30, 2037, unless a control period is reimposed. A control period may be reimposed in the event of the occurrence of certain events as outlined within the Act.

The Act empowered BFSA in the earlier years of its existence to finance a declining percentage of the yearly deficits of the City and Covered Organizations which are part of an approved budget and four-year financial plan. There was no deficit financing required for the fiscal year 2006-2007, the last year BFSA had this power. In its capacity to issue bonds and notes on behalf of the City, the Authority has funded deficits, capital projects, and certain working capital needs of the City and has issued bonds to refund City debt. Revenues to pay Authority debt service and to fund Authority operations are provided by the City's State aid, and the City's and School District's share of Erie County sales tax, on which the Authority has a first lien. BFSA became entitled to the City's share of Erie County sales tax revenues and State aid on July 3, 2003, the effective date of the Act. BFSA became entitled to the School District's share of Erie County sales tax revenues on July 1, 2004 as provided in Chapter 86 of the Laws of 2004, which amended the Act. Pursuant to the Act, the City and the School District have no right, title or interest in these revenues until transferred to the City and the School District by the Authority. The Authority has no independent operating income or taxing power.

### Overview of the Financial Statements

The annual financial statements of the Authority consist of the following components: management's discussion and analysis (this section), financial statements, and notes to financial statements.

Management's discussion and analysis of the Authority's financial performance provides an overview of the Authority's financial activities for the fiscal years ended June 30, 2020, 2019 and 2018. The overview, which covers the most important financial events of the period, should be read in conjunction with the Authority's financial statements, including the notes to the financial statements.

Government-wide financial statements of the Authority are presented in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." The government-wide financial statements use the economic resources measurement focus and accrual basis of accounting. These statements are presented to display information about the reporting entity as a whole. The Statement of Net Position presents information on all the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. The Statement of Activities presents information showing how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of the related cash flows.

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Government fund financial statements are the *Balance Sheet* and the *Statement of Revenues, Expenditures, and Changes in Fund Balances*. Under the modified accrual basis, revenue is recognized when it becomes both measurable and available to finance expenditures in the current fiscal period.

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

### **Financial Highlights and Overall Analysis**

The most critical factors in the Authority's financial position are its revenues derived from the City's sales tax revenue (since July 1, 2003), the School District's share of Erie County sales tax revenues (beginning July 1, 2004), and the City's State aid, which together provided over 99 percent of the Authority's revenue from 2018 to 2020. The Act granted the Authority a first lien and perfected security interest in net collections from sales and use taxes authorized by the State and imposed by Erie County (the County). Sales taxes are imposed by the County, collected by the State, and remitted to the Authority, usually several times each month. After provision for Authority debt service deposits and operating expenses, the remaining funds are remitted immediately to the City or the School District. The State legislation also provided that all State aid appropriated as local government assistance for the benefit of the City is payable to the Authority to use for debt service requirements and operating expenses, with the remaining funds to be remitted to the City.

The amount of BFSAs sales tax revenues to be collected depends upon various factors, including the economic conditions within the County, which has experienced numerous cycles of growth and recession. In addition, in the past the State has enacted amendments to the Tax Law to exempt specific goods and services from the imposition of sales tax. The Act requires the County to impose the local sales tax at a rate of no less than 3.0 percent for the period ending June 30, 2037. Pursuant to State statutory authority, Erie County currently imposes sales tax at the rate of 4.75 percent. New York State has reauthorized the additional 1.0 percent sales tax rate, above the general State authorization, in Erie County every year since January 1978, but is under no obligation to continue to do so. The additional 1.0 percent sales tax currently expires on November 30, 2020, absent future reauthorization. The County is required to allocate to the cities and towns within the County the first \$12.5 million of any net collections from the additional 1.0 percent of sales and compensating use taxes authorized by Section 1210(i)(4) of the State Tax Law as long as the County maintains the 1.0 percent sales tax. This allocation resulted in additional City tax revenues delivered to BFSAs of approximately \$5.7 million annually in 2020, 2019, and 2018; the School District does not share in this additional sales tax revenue.

Sales tax revenue for the years ended June 30, 2020, 2019, and 2018 were \$135,717,725, \$136,927,595, and \$131,828,417. The decrease from 2019 to 2020 was \$1,209,870, or 0.9%, while the increase from 2018 to 2019 was \$5,099,178, or 3.9%. Prior to the coronavirus pandemic, sales tax revenues were trending higher in 2020 than the prior year due in large part to the creation of the new internet sales tax law in NYS that became effective in June 2019 as well as modest economic growth, but the pandemic has had a significant impact on these revenue streams and resulted in the noted decrease from the prior year. The shutdown of businesses and entertainment activities created a significant drop in sales tax revenue over the last four months of the fiscal year, as well as into the fiscal year 2021. The Authority also received State aid for the years ended June 30, 2020, 2019, and 2018 in the amounts of \$141,612,849, \$161,285,233, and \$161,632,780, respectively. State aid decreased \$347,547 (0.2%) from 2018 to 2019 due solely to changes in the amounts of Efficiency Grant funds drawn down on behalf of the City of Buffalo. The normally recurring annual State aid allocation for New York State Aid and Incentives to Municipalities (AIM) of \$161,285,233 was decreased in 2020 by \$19,672,384 due to the State withholding 20% of its final AIM payment as a result of unknowns related to the pandemic and their potential impact on the State's budget. This 20% withhold may be received in a future year. As of June 30, 2018, all available Efficiency Grant funds had been requested and received. Investment income, which accounts for the remaining Authority revenue, totaled \$528,707, \$659,204, and \$953,439 for the years ended June 30, 2020, 2019, and 2018, respectively, which primarily is derived from interest on the City's general obligation bonds described below. As principal is repaid on the outstanding long-term debt, the amount of interest earnings decreases.

The other significant element in the Authority's financial position is its long-term debt. From 2004 through 2007, the Authority issued a total of \$109,515,000 in long-term bonds (Series 2004A, 2005A, 2006A, and 2007A) to provide for deficit financing as well as to finance the City's cost of various City and School District capital projects. The City, in return, issued a series of its own general obligation long-term bonds, privately placed with the Authority, evidencing the obligations of the City for the 2005A, 2006A and 2007A bonds. On July 7, 2005, the Authority refunded \$47,015,000 of City serial bonds by issuing \$46,705,000 in 14-year bonds (the 2005B series) and \$360,000 in 2-year taxable bonds (the 2005C Series). The City issued its own 13.5-year premium bonds privately placed with the Authority in the amount \$48,157,000. On December 21, 2015, the Authority refunded \$7,200,000 of outstanding Series 2005A and \$12,160,000 of outstanding 2006A bonds by issuing \$14,170,000 in Series 2015A revenue bonds. The Authority has not subsequently issued debt.

The statement of net position shows total net position of (\$227,570) at June 30, 2020, as compared to (\$132,480) at June 30, 2019 and \$393,672 at June 30, 2018. The decrease of \$95,090 from 2019 to 2020 as well as the decrease of \$526,152 from 2018 to 2019 are due to a combination of the timing of sales tax and state aid receipts and distributions to the City and District and to the reporting of other postemployment benefits expense, which is a non-cash transaction. The Authority made principal payments on outstanding bonds payable of \$5,440,000 in 2020 which largely contributed to the decrease in total liabilities of \$7,718,233 from \$33,660,618 in 2019 to \$25,942,385 in 2020. The Authority made principal payments on outstanding bonds payable of \$5,685,000 in 2019 which largely contributed to the decrease in total liabilities of \$5,756,743 from \$39,417,361 in 2018 to \$33,660,618 in 2019. Total assets decreased \$8,066,500 from 2019 to 2020 as the Authority received principal payments from the city on outstanding notes receivable of \$4,966,247, the amount due from New York State decreased from the prior year due to an overall decrease in sales tax receivable as a result of the coronavirus pandemic, and investments decreased by \$524,695 resulting from the overall decrease in bonds payable. Total assets decreased \$6,341,875 from 2018 to 2019 as the Authority received principal payments from the City on outstanding notes receivable of \$5,942,429 and investments decreased by \$138,107 resulting from the overall decrease in bonds payable. In past years, the Authority received funds from the State which the City could only use for specified purposes; no such funds were received by the Authority during 2020, 2019, or 2018. The Authority retained those funds until the conditions had been met. The Authority released the final funds to the City in 2018.

Cash and investments totaled \$5,619,836, \$6,527,251, and \$6,926,467 at June 30, 2020, 2019 and 2018, respectively. These amounts include funds for the future repayment of debt in the amount of \$5,206,249, \$6,076,211, and \$6,457,900, at June 30, 2020, 2019, and 2018 respectively. State aid was paid to BFSAs in prior years for targeted purposes awaiting the City's request for disbursement. As of June 30, 2018, all of the restricted State Aid had been requested by the City, with a balance of \$0 at June 30, 2018. Additionally, cash and investments included \$621, \$0, and \$12,172 of accrued interest to be paid to the City at June 30, 2020, 2019, and 2018, respectively, for the investment of such debt service reserves in accordance with outstanding agreements. Remaining cash and investments represent cash available for BFSAs operating expenses.

Interest expense decreased from 2019 to 2020 by \$52,916 and from 2018 to 2019 by \$269,395. The decreases were due to decreases in bonds payable.

Operating expenses reported in the governmental fund statements totaled \$713,333, \$676,943, and \$662,958 for the years ended June 30, 2020, 2019, and 2018. Total operating expenses increased \$36,390, or 5.4%, from 2019 to 2020, and increased \$13,985, or 2.1%, from 2018 to 2019. The changes year to year are minor and fluctuations are discussed below.

Staff expenses for the years ended June 30, 2020 and 2019 were as follows:

	2020	2019	Increase / (Decrease)	Percentage Change
Wages	\$ 413,309	\$ 384,296	\$ 29,013	7.5%
Other staff-related expenses	8,612	12,368	(3,756)	(30.4%)
<b>Total direct staff expenses</b>	<b>421,921</b>	396,664	25,257	6.4%
Staff benefits:				
ERS contributions	56,308	54,620	1,688	3.1%
Payroll taxes	29,895	27,635	2,260	8.2%
Health insurance (net of employee contributions)	91,125	89,300	1,825	2.0%
<b>Total staff benefits</b>	<b>177,328</b>	171,555	5,773	3.4%
<b>Total staff expenses</b>	<b>\$ 599,249</b>	\$ 568,219	\$ 31,030	5.5%

Staff expenses increased \$31,030, or 5.5%, from 2019 to 2020. The primary reason for the increase is due to the transition of one employee position and a period of overlap time for training related to the transition. Additionally, there were increases due to inflationary salary increases granted to employees.

The Authority normally employed five salaried staff members (one part-time) during the years ended June 30, 2020 and 2019. For a period during the year 2020 there was a transition of one position due to a retirement, which required one additional part-time employee for training purposes.

Staff expenses for the years ended June 30, 2019 and 2018 were as follows:

	2019	2018	Increase / (Decrease)	Percentage Change
Wages	\$ 384,296	\$ 375,724	\$ 8,572	2.3%
Other staff-related expenses	12,368	10,898	1,470	13.5%
Total direct staff expenses	396,664	386,622	10,042	2.6%
Staff benefits:				
ERS contributions	54,620	55,324	( 704)	(1.3%)
Payroll taxes	27,635	27,400	235	0.9%
Health insurance (net of employee contributions)	89,300	78,560	10,740	13.7%
Total staff benefits	171,555	161,284	10,271	6.4%
Total staff expenses	\$ 568,219	\$ 547,906	\$ 20,313	3.7%

Staff expenses increased \$20,313, or 3.7%, from 2018 to 2019. The primary reasons for the increase are due to increased wages and health insurance costs. The health insurance increase is due to an increase in health insurance premiums and a change in composition of individuals receiving single vs. family coverage. Wages increased due to inflationary salary increases granted to employees.

The Authority employed five salaried staff members (one part-time) during the year ended June 30, 2019 and 2018.

The next largest category of expenses was for professional fees. The following charts indicated the amount expended for professional fees for the years ended June 30, 2020, 2019, and 2018.

	2020	2019	Increase / (Decrease)	Percentage Change
Legal fees	\$ 14,940	\$ 10,384	\$ 4,556	43.9%
Other professional fees	41,358	31,908	9,450	29.6%
<b>Total professional fees</b>	<b>\$ 56,298</b>	<b>\$ 42,292</b>	<b>\$ 14,006</b>	<b>33.1%</b>

  

	2019	2018	Increase / (Decrease)	Percentage Change
Legal fees	\$ 10,384	\$ 7,120	\$ 3,264	45.8%
Other professional fees	31,908	40,860	(8,952)	(21.9%)
Total professional fees	\$ 42,292	\$ 47,980	\$ (5,688)	(11.9%)

Other professional fees increased \$9,450, or 29.6%, from 2019 to 2020 due to increased expenditures as the Authority required more consulting services.

Other professional fees decreased \$8,952, or 21.9%, from 2018 to 2019 due to decreased expenditures as the Authority required less consulting services.

Directors of the Authority do not receive any compensation for their services but are reimbursed for any Authority-related expenses.



Meeting expenses are incurred in connection with holding public board and committee meetings throughout the year. Meeting expenses for the years ended June 30, 2020, 2019, and 2018 are as follows:

	2020	2019	Increase / (Decrease)	Percentage Change
Facilities expenses – Public Board Meetings	\$ 2,434	\$ 7,135	\$ (4,701)	(65.9%)

	2019	2018	Increase / (Decrease)	Percentage Change
Facilities expenses – Public Board Meetings	\$ 7,135	\$ 6,651	\$ 484	7.3%

Meeting expenses decreased from 2019 to 2020 by \$4,701, or 65.9%. This decrease is primarily due to the coronavirus pandemic and the resulting limitations on public setting meetings.

Meeting expenses increased from 2018 to 2019 by \$484, or 7.3%. This increase is primarily due to the number of BFSAs board meetings which increased in 2019 compared to 2018.

Other expenses include various items necessary for the running of the Authority’s offices, and are as follows for the fiscal years ended June 30, 2020, 2019, and 2018:

	2020	2019	Increase/ (Decrease)	Percentage Change
Office services including postage and delivery	\$ 4,126	\$ 5,294	\$ (1,168)	(22.1%)
Rent	43,940	43,940	0	-
Telephone and data processing	5,076	6,698	(1,622)	(24.2%)
Office supplies	927	2,527	(1,600)	(63.3%)
Equipment	1,283	838	445	53.1%
<b>Total other expenditures</b>	<b>\$ 55,352</b>	<b>\$ 59,297</b>	<b>\$ (3,945)</b>	<b>(6.7%)</b>

	2019	2018	Increase / (Decrease)	Percentage Change
Office services including postage and delivery	\$ 5,294	\$ 5,334	\$ ( 40)	(0.7%)
Rent	43,940	43,615	325	0.7%
Telephone and data processing	6,698	8,874	(2,176)	(24.5%)
Office supplies	2,527	1,093	1,434	131.2%
Equipment	838	1,505	( 667)	(44.3%)
Total other expenditures	\$ 59,297	\$ 60,421	\$ (1,124)	(1.9%)

During 2020 there were less office-related expenses, largely due to the coronavirus pandemic and the resulting reduction in office needs.

In 2019, telephone and data processing expense decreased due to the implementation of a new VOIP system which resulted in lower monthly internet fees and telephone charges. Office supplies will naturally vary depending on need. In total, other expenses have remained consistent over the last three fiscal years.

### Debt Service Fund

The Authority did not enter into any new debt transactions during the fiscal years ended June 30, 2020, June 30, 2019, and June 30, 2018.

### Contacting the Authority's Financial Management

This financial report is designed to provide taxpayers, investors, and creditors with a general overview of the Authority’s finances and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jeanette M. Robe, Executive Director, Buffalo Fiscal Stability Authority, 617 Main Street, Market Arcade Building - Suite 400, Buffalo, New York 14203.

BUFFALO FISCAL STABILITY AUTHORITY  
(A Component Unit of the City of Buffalo, New York)

**Statement of Net Position**

June 30, 2020	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 462,095	\$ 844,815
Investments	5,157,741	5,682,436
Notes receivable - City of Buffalo due within one year	2,021,891	4,840,104
Due from other governments, net	12,438,923	14,632,068
Other assets	15,567	15,260
Notes receivable - City of Buffalo	5,375,057	7,523,091
<b>Total assets</b>	<b>25,471,274</b>	<b>33,537,774</b>
<b>Deferred Outflows of Resources</b>		
Deferred outflows of resources related to pensions	290,037	73,148
<b>Liabilities</b>		
Accounts payable	17,760	5,283
Accrued liabilities	193,786	276,869
Due to the City of Buffalo - sales tax	12,044,160	13,880,877
Long-term liabilities		
Due within one year:		
Bonds	4,690,000	5,440,000
Due beyond one year:		
Bonds and related premiums	7,456,328	12,415,099
Net pension liability	466,096	129,004
Total OPEB liability	1,074,255	1,513,486
<b>Total liabilities</b>	<b>25,942,385</b>	<b>33,660,618</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows of resources related to pensions	46,496	82,784
<b>Net Position</b>		
Restricted	5,055,147	5,838,301
Unrestricted	(5,282,717)	(5,970,781)
<b>Total net position (deficit)</b>	<b>\$ (227,570)</b>	<b>\$ (132,480)</b>

BUFFALO FISCAL STABILITY AUTHORITY  
(A Component Unit of the City of Buffalo, New York)

**Statement of Activities**

For the years ended June 30,	2020	2019
<b>Expenses</b>		
General and administrative	\$ 358,017	\$ 917,184
Distributions		
City of Buffalo - general operations	228,820,653	249,403,956
City of Buffalo School District	48,519,017	48,767,444
Interest expense	256,684	309,600
<b>Total expenses</b>	<b>277,954,371</b>	<b>299,398,184</b>
<b>General revenues</b>		
State aid	141,612,849	161,285,233
Sales tax	135,717,725	136,927,595
Interest and other income	528,707	659,204
<b>Total general revenues</b>	<b>277,859,281</b>	<b>298,872,032</b>
Change in net position	(95,090)	(526,152)
Net position (deficit) - beginning	(132,480)	393,672
<b>Net position (deficit) - ending</b>	<b>\$ (227,570)</b>	<b>\$ (132,480)</b>

BUFFALO FISCAL STABILITY AUTHORITY  
(A Component Unit of the City of Buffalo, New York)

**Balance Sheet - Governmental Funds**

June 30, 2020  
(With summarized comparative totals as of June 30, 2019)

	General	Debt Service	Total Governmental Funds	
			2020	2019
<b>Assets</b>				
Cash and cash equivalents	\$ 413,587	\$ 48,508	\$ 462,095	\$ 844,815
Investments	-	5,157,741	5,157,741	5,682,436
Due from other governments, net	12,279,582	7,556,289	19,835,871	26,995,263
Other assets	15,567	-	15,567	15,260
<b>Total assets</b>	<b>\$ 12,708,736</b>	<b>\$ 12,762,538</b>	<b>\$ 25,471,274</b>	<b>\$ 33,537,774</b>
<b>Liabilities and Fund Balances</b>				
Accounts payable	\$ 17,760	\$ -	\$ 17,760	\$ 5,283
Accrued liabilities	42,684	151,102	193,786	276,869
Due to the City of Buffalo	12,044,160	-	12,044,160	13,880,877
<b>Total liabilities</b>	<b>12,104,604</b>	<b>151,102</b>	<b>12,255,706</b>	<b>14,163,029</b>
<b>Fund Balances</b>				
Nonspendable:				
Prepaid expenses	15,567	-	15,567	15,260
Restricted:				
Debt service	-	12,611,436	12,611,436	18,471,756
Unassigned	588,565	-	588,565	887,729
<b>Total fund balances</b>	<b>604,132</b>	<b>12,611,436</b>	<b>13,215,568</b>	<b>19,374,745</b>
<b>Total liabilities and fund balances</b>	<b>\$ 12,708,736</b>	<b>\$ 12,762,538</b>	<b>\$ 25,471,274</b>	<b>\$ 33,537,774</b>

BUFFALO FISCAL STABILITY AUTHORITY  
(A Component Unit of the City of Buffalo, New York)

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

June 30, 2020

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**Total fund balances - governmental funds** \$ 13,215,568

Amounts reported for governmental activities in the statement of net position are different because:

The Authority's proportionate share of the net pension position as well as pension-related deferred outflows and deferred inflows of resources are recognized on the government-wide statements and include:

Deferred outflows of resources related to pensions	290,037	
Net pension liability	(466,096)	
Deferred inflows of resources related to pensions	<u>(46,496)</u>	(222,555)

Certain liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities are:

Bonds and related premiums	(12,146,328)	
Total OPEB liability	<u>(1,074,255)</u>	(13,220,583)

**Net position - governmental activities** \$ (227,570)

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BUFFALO FISCAL STABILITY AUTHORITY  
(A Component Unit of the City of Buffalo, New York)

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

For the year ended June 30, 2020  
(With summarized comparative totals for June 30, 2019)

	General	Debt Service	Total Governmental Funds	
			2020	2019
<b>Revenues</b>				
State aid	\$ 141,612,849	\$ -	\$ 141,612,849	\$ 161,285,233
Sales tax	135,717,725	-	135,717,725	136,927,595
Interest and other income	676	528,031	528,707	659,204
<b>Total revenues</b>	<b>277,331,250</b>	<b>528,031</b>	<b>277,859,281</b>	<b>298,872,032</b>
<b>Expenditures</b>				
General and administrative	713,333	-	713,333	676,943
Distributions				
City of Buffalo - general operations	228,655,468	165,185	228,820,653	249,403,956
City of Buffalo School District	48,519,017	-	48,519,017	48,767,444
Debt service				
Principal	-	5,440,000	5,440,000	5,685,000
Interest	-	525,455	525,455	788,005
<b>Total expenditures</b>	<b>277,887,818</b>	<b>6,130,640</b>	<b>284,018,458</b>	<b>305,321,348</b>
Excess revenues (expenditures)	(556,568)	(5,602,609)	(6,159,177)	(6,449,316)
<b>Other financing sources (uses)</b>				
Operating transfers	257,711	(257,711)	-	-
Net change in fund balances	(298,857)	(5,860,320)	(6,159,177)	(6,449,316)
Fund balances - beginning	902,989	18,471,756	19,374,745	25,824,061
<b>Fund balances - ending</b>	<b>\$ 604,132</b>	<b>\$ 12,611,436</b>	<b>\$ 13,215,568</b>	<b>\$ 19,374,745</b>

BUFFALO FISCAL STABILITY AUTHORITY  
(A Component Unit of the City of Buffalo, New York)

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

For the year ended June 30, 2020

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**Total net change in fund balances - governmental funds** \$ (6,159,177)

Amounts reported for governmental activities in the statement of activities are different because:

Pension expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities. These differences are:

2020 contribution	56,308	
2020 accrued contribution	13,470	
2019 accrued contribution	(13,448)	
2020 pension expense	<u>(140,245)</u>	(83,915)

OPEB expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities. 439,231

Payments of long-term liabilities are reported as expenditures in the governmental funds and as a reduction of debt in the statement of net position. 5,440,000

In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds these expenditures are reported when paid. These differences are:

Amortization of bond premiums	<u>268,771</u>	
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**Change in net position - governmental activities** \$ (95,090)

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## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies

#### Reporting Entity

The Buffalo 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 created by the Buffalo Fiscal Stability Authority Act (the Act), Chapter 122 of the Laws of 2003, as amended from time to time. Although legally separate from and independent of the City of Buffalo (the City), the Authority is a component unit of the City for financial reporting purposes and, accordingly, is included in the City's financial statements. The Act provides for the existence of the Authority through June 30, 2037.

The Authority is governed by nine directors, with seven appointed by the Governor. One of the seven must be a resident of the City. One director is appointed following the recommendation of the State Comptroller; one director is appointed on the joint recommendation of the temporary president of the Senate and the Speaker of the Assembly. The Mayor of the City and the County Executive of Erie County, New York serve as ex-officio members. The Governor also designates the chairperson and vice-chairperson from among the directors.

The Authority has power under the Act to monitor and oversee the finances of the City and "covered organizations" - City of Buffalo School District (the District), the Joint Schools Construction Board, Buffalo Urban Renewal Agency, Buffalo Municipal Housing Authority, and any governmental agency, public authority, or public benefit corporation which receives or may receive money directly, indirectly, or contingently from the City. The Authority is empowered to issue bonds and notes for various City purposes, defined in the Act as "financeable costs." The Act authorizes the issuance of bonds, notes, or other obligations in amounts necessary to pay any financeable costs and to fund reserves to secure such bonds. The aggregate principal amounts of such bonds, notes, or other obligations outstanding at any one time excluding refunding bonds of the City or the Authority cannot exceed \$175,000,000. The Authority may also issue bonds, notes, or other obligations to pay the cost of issuance of such borrowings, to establish debt service reserves, or to refund or advance refund any outstanding notes of the City. The Authority may issue cash flow borrowings which do not count toward the above limit, but are limited to \$145,000,000 of aggregate principal amounts outstanding at any one time.

The Act provides the Authority different financial control and oversight powers depending upon whether the City's financial condition causes it to be in a control period or an advisory period. The Act defined and established a control period to be in effect as of the date of the Act and continue until specific conditions were met regarding the stability of the City's finances. In May 2012, the Authority determined such conditions had been met and resolved to enter into an advisory period effective July 1, 2012. An advisory period shall continue through June 30, 2037, unless a control period is reimposed. A control period may be reimposed if the Authority determines at any time that a fiscal crisis is imminent or that any of the certain events, as outlined in the Act, have occurred or are likely to occur.

The Act provides broad monitoring responsibility over the City's finances during a control period, including the requirements for the City to provide annually a four-year financial plan to be approved by the Authority. The Act also allows the Authority to establish a maximum level of spending; impose a wage or hiring freeze; review and approve or disapprove any contracts, settlements, debt issuances, or collective bargaining agreements entered into by the City or covered organization; and may require the City to explore certain actions regarding merger of services with the County of Erie. Under an advisory period, the Authority's monitoring responsibilities continue to exist, however the Authority is not required to approve the various items as noted above, but will publicly comment on such items.



The Authority receives all sales tax revenues designated for the City and the District, and State aid to be paid to the City. State aid includes all general purpose local government aid, emergency financial assistance to certain cities, emergency financial assistance to eligible municipalities, supplemental municipal aid, and any successor or new aid appropriated by the State as local government assistance for the benefit of the City. The Authority is also entitled to receive all other aid, rents, fees, charges, payments, and other income to the extent such amounts are pledged to bondholders of the City.

The Authority maintains amounts it deems necessary for its operations and debt service requirements with the excess transferred to the City as frequently as practicable. On occasion, the Authority has been directed by the State to retain certain State aid amounts for the City's future use.

### **Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display financial activities of the overall Authority. These statements are required to distinguish between *governmental* and *business-type* activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Authority does not maintain any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Authority's governmental activities. Given the specific nature of the Authority's purpose, its only function is displayed as monitoring of City finances.

*Fund Financial Statements:* The fund financial statements provide information about the Authority's funds. The emphasis of the fund financial statements is on major governmental funds, each displayed in a separate column.

The Authority reports the following major funds:

- *General fund.* This is the Authority's primary operating fund. It accounts for all financial resources 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 expenditure for principal and interest payments on long-term debt obligations of governmental activities on behalf of the City. Financial resources that are being accumulated for principal and interest payments maturing in future years are also included in this fund.

The financial statements include certain prior year summarized comparative information in total but not by separate governmental activities and major funds. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

### **Basis of Accounting and Measurement Focus**

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. 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. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Authority considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year end, with the exception of amounts determined by statute as State general purpose aid. By law, although designated for the current fiscal year, the amount is typically paid by the State in December. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent that they have matured. Capital asset purchases are reported as expenditures in governmental funds. Proceeds of long-term liabilities and equipment and property purchased under capital leases are reported as other financing sources.

Interest expense is recognized on the accrual basis in the government-wide financial statements. In the governmental fund statements, interest expenditures are recognized when funds are deposited in the debt service fund.

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 revenue and investment earnings are then transferred to the City.

No revenues are generated from operating activities of the Authority; therefore, all revenues are defined by the Authority as non-operating revenues. Revenues are received in the general and debt service funds. Expenditures of the Authority that arise in the course of providing the Authority's oversight and debt issuance services, such as payroll and administrative expenses, are considered operating expenses, and are accounted for in the general fund. Expenditures related to debt issuance are considered non-operating expenses, and are accounted for in the debt service fund.

### **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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, demand deposits, and commercial paper with original maturities of three months or less.

### **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.

### **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 on a straight-line basis as a component of interest expense over the life of the related obligation.

### **Pension**

The Authority participates in the New York State and Local Employees' Retirement System (ERS) as mandated by State law. ERS recognizes benefit payments when due and payable in accordance with benefit terms; investment assets are reported at fair value. On the government-wide statements, the Authority recognizes its proportionate share of net pension position, deferred outflows and deferred inflows of resources, pension expense, and information about and changes in the fiduciary net position on the same basis as reported by the defined benefit pension plan.

## Other Postemployment Benefits (OPEB)

On the government-wide statements, the total OPEB liability, deferred outflows and deferred inflows of resources, and OPEB expense for the Authority's defined benefit healthcare plan (Note 7) have been measured on the same basis as reported by the plan. Benefit payments are due and payable in accordance with benefit terms.

## Equity Classifications

### Government-Wide Statements

- *Net investment in capital assets* - consists of capital assets, if any, net of accumulated depreciation, reduced by outstanding balances of any related debt obligations that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or by the terms of the Authority's bonds.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and, therefore, are available for general use by the Authority.

### Governmental Fund Statements

The Authority considers restricted resources to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available.

Restricted fund balances result from reserves created primarily by enabling legislation to preserve resources for future expenditures as required by budgetary regulations or bond instruments. Earnings on invested resources are required to be added to the reserves. Nonspendable fund balances represent resources that cannot be spent because they are not expected to be converted to cash and include prepaid expenses.

Fund balance restrictions consist of a debt service fund, which is used to accumulate resources for a sinking fund in connection with the requirements of the related bond agreements.

### Interfund Balances

The operations of the Authority at times include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. Permanent transfers of funds include resources for required debt service payments.

In the government-wide statements, the amounts reported on the statement of net position for interfund receivables and payables, if any, represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds.

## 2. Transactions with and on Behalf of the City

The Act and other legal documents of the Authority establish various financial relationships between the Authority, the City, and the District. The resulting financial transactions between the Authority, the City, and the District include the receipt and use of revenues as well as Authority debt issuances to fund financeable costs of the City.

The receipt and remittance of revenues in 2020 include:

- The receipt and remittance to the City of sales tax revenues. Revenues of \$135,717,725 were recorded, of which \$81,612,237 was or will be paid to the City and \$48,519,017 was designated for the District. The balance was retained for Authority operations and to provide for a debt service sinking fund.

- State aid of \$141,612,849 was received during 2020. Certain payments were reduced by a 20% withholding and an allowance was booked against the total (Note 8).
- Distributions paid or accrued to the City in 2020 totaled \$228,820,653, which includes \$81,612,237 of sales tax receipts, \$147,042,610 of State aid and other revenue, and interest receipts of \$165,806.

### 3. Cash and Investments

Investment management is governed by State laws in accordance with the Act and as established in the Authority's written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Authority's banking policies permit the Executive Director to use demand accounts and certificates of deposit. Permissible investments include obligations of the United States Treasury and its Agencies, repurchase agreements, obligations of the State or its localities, and commercial paper of any bank or corporation provided it has the highest rating of two independent rating agencies.

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 its municipalities and school districts.

Custodial credit risk is the risk that in the event of a bank failure the Authority's deposits may not be returned to it. At June 30, 2020, the Authority's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institution's trust department in the Authority's name.

The Authority's cash and investments at June 30, 2020 consist of the following:

	Cost	Fair Value
Cash	\$ 82,966	\$ 82,966
Money market	379,129	379,129
U.S. Treasury SLGS	2,290,586	2,356,396
Federal Home Loan Banks	1,167,618	1,180,952
Federal Home Loan Mortgage Corporation medium-term notes	1,004,558	1,036,746
Federal National Mortgage Association discount notes	579,819	583,647
	<u>\$ 5,504,676</u>	<u>\$ 5,619,836</u>

The risk and type of investments presented above generally indicate activity and positions held throughout the year. Maturities are generally short term with certificates of deposits issued with 30 day maturities and commercial paper due within 45 days of purchase.

### 4. Due from Other Governments

Due from Other Governments:

New York State

May and June sales tax receipts

\$ 12,279,582

June Aid and Incentives for Municipalities (AIM)

19,672,384

Accrued interest due from the City

159,341

32,111,307

Less allowance for uncollectible AIM

19,672,384

\$ 12,438,923

Due from the City:

Mirror bond 2005A (1/15/2025), interest at 5.0% inclusive of premium of \$265,085

\$ 1,634,411

Mirror bond 2007A (1/15/2023), interest at 5.0% inclusive of premium of \$178,801

5,762,537

7,396,948

Amount due within one year

2,021,891

\$ 5,375,057

Amounts to be received from the City, net of bond premiums of \$443,886 on the remaining mirror bonds are as follows:

Years ending June 30,	Principal	Interest
2021	2,021,891	347,653
2022	2,119,585	246,558
2023	2,223,964	140,579
2024	285,163	29,381
2025	302,459	15,123
	<u>\$ 6,953,062</u>	<u>\$ 779,294</u>

## 5. Long-Term Liabilities

	July 1, 2019	Increases	Decreases	June 30, 2020	Amount Due in One Year
Series 2005B&C bonds maturing September 2019 with interest at 5.0% over the life of the bonds. Secured by future sales tax and state aid revenues.	\$ 320,000	\$ -	\$ 320,000	\$ -	\$ -
Series 2007A bond maturing September 2023 with interest ranging from 4.5% to 5.5% over the life of the bond. Secured by future sales tax and state aid revenues.	9,760,000	-	2,315,000	7,445,000	1,755,000
Series 2015A refunding bond maturing September 2025 with interest ranging from 3.0% to 5.0% over the life of the bond. Secured by future sales tax and state aid revenues.	6,490,000	-	2,805,000	3,685,000	2,935,000
	<u>16,570,000</u>	<u>-</u>	<u>5,440,000</u>	<u>11,130,000</u>	<u>4,690,000</u>
Premiums:					
2005B	59,897	-	59,897	-	-
2007A	239,364	-	55,238	184,126	-
2015A	985,838	-	153,636	832,202	-
	<u>1,285,099</u>	<u>-</u>	<u>268,771</u>	<u>1,016,328</u>	<u>-</u>
	<u>\$ 17,855,099</u>	<u>\$ -</u>	<u>\$ 5,708,771</u>	<u>\$ 12,146,328</u>	<u>\$ 4,690,000</u>

## Debt Service Requirements

Years ending June 30,	Principal	Interest
2021	\$ 4,690,000	\$ 373,575
2022	1,960,000	225,225
2023	2,040,000	143,825
2024	2,120,000	59,150
2025	155,000	12,125
2026	165,000	4,125
	<u>\$ 11,130,000</u>	<u>\$ 818,025</u>

## Lease Obligation

The Authority has an operating lease agreement for office space. Rental expense totaled \$43,940 for the year ended June 30, 2020. Future minimum annual rental payments required under the lease are \$10,985 in 2021.

## 6. Pension Plan

The Authority participates in ERS, which is a cost-sharing, multiple employer, public employee retirement system. ERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from the New York State and Local Retirement System at [www.osc.state.ny.us/retire](http://www.osc.state.ny.us/retire).

*Benefits:* ERS provides retirement, disability, and death benefits for eligible members, including automatic cost of living adjustments. In general, retirement benefits are determined based on an employee's individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual's employment tier. Pension factors are determined based on tier and an employee's years of service, among other factors.

*Contribution Requirements:* No employee contribution is required for those hired prior to July 1976. ERS requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3% of compensation throughout their active membership. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. The Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the Authority to the pension accumulation fund. For 2020, these rates ranged from 13.2% - 15.8%.

A liability to ERS of \$13,470 is accrued based on the Authority's legally required contribution for employee services rendered from April 1 through June 30, 2020.

### Net Pension Position, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources

At June 30, 2020, the Authority reported a liability of \$466,096 for its proportionate share of the net pension position.

The net pension position was measured as of March 31, 2020, and the total pension liability was determined by an actuarial valuation as of April 1, 2019. The Authority's proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At the March 31, 2020 measurement date, the Authority's proportion was 0.0017601%, a decrease of 0.0000606 from its proportion measured as of March 31, 2019.

For the year ended June 30, 2020, the Authority recognized pension expense of \$140,245. At June 30, 2020, the Authority reported deferred outflows and deferred inflows of resources as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,432	\$ -
Changes of assumptions	9,385	8,104
Net difference between projected and actual earnings on pension plan investments	238,944	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	806	38,392
Authority contributions subsequent to the measurement date	13,470	-
	<u>\$ 290,037</u>	<u>\$ 46,496</u>

Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Years ending June 30,		
2021	\$	29,591
2022		55,092
2023		79,185
2024		66,203
	\$	<u>230,071</u>

### Actuarial Assumptions

The actuarial assumptions used in the April 1, 2019 valuation, with update procedures used to roll forward the total pension liability to March 31, 2020, were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

*Inflation* - 2.5%

*Salary increases* – 4.2%

*Cost of living adjustments* – 1.3% annually

*Investment rate of return* – 6.8% compounded annually, net of investment expense, including inflation

*Mortality* - Society of Actuaries' Scale MP-2018

*Discount rate* – 6.8%

The long-term expected rate of return on ERS 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.

### Investment Asset Allocation

Best estimates of arithmetic real rates of return (net of the long-term inflation assumption) for each major asset class and ERS's target asset allocations as of the applicable valuation dates are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	36%	4.1%
Global and international equities	14%	6.2%
Private equities	10%	6.8%
Real estate	10%	5.0%
Inflation-indexed bonds	4%	0.5%
Bonds and mortgages	17%	0.8%
Short-term	1%	-
Other	8%	3.3%-6.0%
	<u>100%</u>	

### Discount Rate

The discount rate projection of cash flows assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, ERS'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.

The following presents the Authority's proportionate share of its net pension position calculated using the discount rate of 6.8% and the impact of using a discount rate that is 1% higher or lower than the current rate.

	1.0% Decrease	At Current Discount Rate	1.0% Increase
Authority's proportionate share of the ERS net pension asset (liability)	\$ (855,418)	\$ (466,096)	\$ 107,529

## 7. OPEB

### Plan Description

The Authority maintains a single-employer defined benefit healthcare plan (the Plan) providing for lifetime cost sharing of medical premiums to eligible retirees and spouses. Eligibility is based on covered employees who retire from the Authority, are over age 55, have a minimum of five years of service, and have satisfied requirements for retiring as a member of a retirement system. The Plan has no assets, does not issue financial statements, and is not a trust.

At June 30, 2020, employees covered by the Plan include:

Active employees	5
Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
	<u>5</u>

### Total OPEB Liability

The Authority's total OPEB liability of \$1,978,015 was measured as of June 30, 2020 and was determined using the alternative measurement method, available to plans with fewer than 100 employees, as of June 30, 2020.

The total OPEB liability using the alternative measurement method as of June 30, 2020 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

*Healthcare cost trend rates* – Initial rate of 4.6%, reduced to an ultimate rate of 4.7% after ten years

*Salary increases* – 2.0%

*Mortality* – RP2000 mortality table for males and females projected 18 years

*Discount rate* – 2.21% based on the 20-Year tax-exempt municipal bond yield for bonds with an average rating of AA or higher as of the measurement date

*Turnover* – 50% based on historical experience

### Changes to Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019	<u>\$ 1,513,486</u>
Changes for the year:	
Service cost	112,210
Interest	56,899
Changes of benefit terms	-
Differences between expected and actual experience	(900,335)
Changes of assumptions or other inputs	291,995
Benefit payments	-
Net changes	<u>(439,231)</u>
Balance at June 30, 2020	<u>\$ 1,074,255</u>



The following presents the sensitivity of the Authority’s total OPEB liability to changes in the discount rate, including what the Authority’s total OPEB liability would be if it were calculated using a discount rate that is 1% higher or lower than the current discount rate:

	1.0% Decrease (1.21%)	Discount Rate (2.21%)	1.0% Increase (3.21%)
Total OPEB liability	\$ (1,383,712)	\$ (1,074,255)	\$ (839,347)

The following presents the sensitivity of the Authority’s total OPEB liability to changes in the healthcare cost trend rates, including what the Authority’s total OPEB liability would be if it were calculated using trend rates that are 1% higher or lower than the current healthcare cost trend rates:

	1.0% Decrease (3.6% to 3.7%)	Healthcare Cost Trend Rate (4.6% to 4.7%)	1.0% Increase (5.6% to 5.7%)
Total OPEB liability	\$ (804,488)	\$ (1,074,255)	\$ (1,437,110)

For the year ended June 30, 2020, the Authority recognized OPEB income of \$439,231.

**8. Risks and Uncertainties**

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease included limiting or closing many businesses, resulting in a severe disruption of operations for organizations. The extent of the impact of COVID-19 on the Authority’s operational and financial performance will depend on further developments, including the duration and spread of the outbreak and its impact on state and local governments and their residents, employees, and vendors, none of which can be predicted. To date, the Authority’s payment from the State for Aid and Incentives for Municipalities was reduced by 20% due to a lack of cash flow at the State level as a result of the pandemic. It is unknown at this time whether such payments will subsequently be made.

BUFFALO FISCAL STABILITY AUTHORITY  
(A Component Unit of the City of Buffalo, New York)

**Required Supplementary Information**  
**Schedule of the Authority's Proportionate Share of the Net Pension Position**  
**New York State and Local Employees' Retirement System**

As of the measurement date of March 31,	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension position	0.0017601%	0.0018207%	0.0018707%	0.0019883%	0.0018893%	0.0018411%
Authority's proportionate share of the net pension liability	\$ 466,096	\$ 129,004	\$ 60,374	\$ 186,826	\$ 303,242	\$ 62,198
Authority's covered payroll	\$ 375,073	\$ 366,813	\$ 368,236	\$ 386,979	\$ 354,794	\$ 334,762
Authority's proportionate share of the net pension position as a percentage of its covered payroll	124.27%	35.17%	16.40%	48.28%	85.47%	18.58%
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%

The following is a summary of changes of assumptions:

Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.7%
Salary increases	4.2%	4.2%	3.8%	3.8%	3.8%	4.9%
Cost of living adjustments	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%
Investment rate of return	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Discount rate	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Society of Actuaries' mortality scale	MP-2018	MP-2014	MP-2014	MP-2014	MP-2014	MP-2014

Data prior to 2015 is unavailable.

BUFFALO FISCAL STABILITY AUTHORITY  
(A Component Unit of the City of Buffalo, New York)

**Required Supplementary Information**  
**Schedule of Contributions**  
**New York State and Local Employees' Retirement System**

June 30,	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 56,308	\$ 54,897	\$ 55,466	\$ 58,035	\$ 67,365	\$ 62,469	\$ 75,625	\$ 53,237
Contribution in relation to the contractually required contribution	(56,308)	(54,897)	(55,466)	(58,035)	(67,365)	(62,469)	(75,625)	(53,237)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 375,073	\$ 366,813	\$ 368,236	\$ 386,979	\$ 354,794	\$ 334,762	\$ 348,621	\$ 306,554
Contributions as a percentage of covered payroll	15.01%	14.97%	15.06%	15.00%	18.99%	18.66%	21.69%	17.37%

*Data prior to 2013 is unavailable.*

BUFFALO FISCAL STABILITY AUTHORITY  
(A Component Unit of the City of Buffalo, New York)

**Required Supplementary Information  
Schedule of Changes in the Authority's  
Total OPEB Liability and Related Ratios**

June 30,	2020	2019	2018
Total OPEB liability - beginning	\$ 1,513,486	\$ 1,283,543	\$ 1,120,850
Changes for the year:			
Service cost	112,210	118,694	162,693
Interest	56,899	54,267	-
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(900,335)	(58,182)	-
Changes of assumptions or other inputs	291,995	115,164	-
Benefit payments	-	-	-
Net change in total OPEB liability	(439,231)	229,943	162,693
Total OPEB liability - ending	\$ 1,074,255	\$ 1,513,486	\$ 1,283,543
Covered-employee payroll	\$ 413,309	\$ 384,296	\$ 375,724
Total OPEB liability as a percentage of covered-employee payroll	259.9%	393.8%	341.6%

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Differences between expected and actual experience include adjustments to expected turnover. Prior to 2020, the Authority used the experience of the Federal Employees Retirement System, as allowed under GASB Statement No. 75. For 2020, turnover was adjusted to 50% to more accurately reflect turnover rates at the Authority.

The following is a summary of changes of assumptions:

Healthcare cost trend rates	4.6% - 4.7%	4.6% - 4.7%	4.6% - 4.7%
Salary increases	2.0%	4.0%	4.0%
Discount rate	2.21%	3.5%	3.87%
Mortality table	RP2000	RP2000	RP2000

Data prior to 2018 is unavailable.

BUFFALO FISCAL STABILITY AUTHORITY  
(A Component Unit of the City of Buffalo, New York)

**Supplementary Information**  
**Schedule of General and Administrative Expenditures - General Fund**

For the years ended June 30,	2020	2019
Board functions		
Public meeting expenses	\$ 2,434	\$ 7,135
Staff expenses		
Wages	413,309	384,296
Professional development	2,668	4,690
Parking	4,886	6,718
Payroll processing fees	1,058	960
	<u>421,921</u>	<u>396,664</u>
Central services		
Postage, printing, and dues	2,651	3,824
Rent	43,940	43,940
Telephone and data processing	5,076	6,698
Insurance	1,475	1,470
Office supplies	927	2,527
	<u>54,069</u>	<u>58,459</u>
Administrative		
Professional fees and consultants	41,358	31,908
Legal fees	14,940	10,384
Equipment	1,283	838
	<u>57,581</u>	<u>43,130</u>
Employee benefits		
New York State and Local Employees' Retirement System contributions	56,308	54,620
Social security and medicare taxes	29,895	27,635
Medical insurance net of employee contributions	91,125	89,300
	<u>177,328</u>	<u>171,555</u>
<b>Total general and administrative expenditures - general fund</b>	<b>\$ 713,333</b>	<b>\$ 676,943</b>

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

The Board of Directors  
Buffalo Fiscal Stability Authority

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 Buffalo Fiscal Stability Authority (the Authority), a component unit of the City of Buffalo, New York, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 23, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 a 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of 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.

A handwritten signature in blue ink that reads "Lyndon & McCormick, LLP". The signature is written in a cursive, flowing style.

September 23, 2020

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SECTION 2925(3)(f) OF THE NEW YORK STATE PUBLIC AUTHORITIES LAW**

The Board of Directors  
Buffalo Fiscal Stability Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and each major fund of Buffalo Fiscal Stability Authority (the Authority), a component unit of the City of Buffalo, New York, as of June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and we have issued our report thereon dated September 23, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the Authority failed to comply with §2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended June 30, 2020. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above rules and regulations.

The purpose of this report is solely to describe the scope and results of our testing. This communication is not suitable for any other purpose.



September 23, 2020