

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

FINANCIAL STATEMENTS

JUNE 30, 2022

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

Table of Contents

June 30, 2022

Independent Auditors' Report

Management's Discussion and Analysis

Financial Statements

Statement of Net Position

Statement of Activities

Balance Sheet – Governmental Funds

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

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

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

Notes to Financial Statements

Required Supplementary Information (Unaudited)

Schedule of the Authority's Proportionate Share of the Net Pension Position - New York State and Local Employees'
Retirement System

Schedule of Contributions - New York State and Local Employees' Retirement System

Schedule of Changes in the Authority's Total Other Postemployment Benefits (OPEB) Liability and Related Ratios

Supplementary Information

Schedule of General and Administrative Expenditures – General Fund

Compliance Reports

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*

Independent Auditors' Report on Compliance with Section 2925(3)(f) of the New York State Public Authorities Law

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Buffalo Fiscal Stability Authority

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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 General and Administrative Expenditures – General Fund is presented for purposes of additional analysis and is not a required part of the financial statements. Such 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. The 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 21, 2022 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 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 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.

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

September 21, 2022

Management’s Discussion and Analysis (unaudited)

June 30, 2022

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, 2022, 2021, and 2020. 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 2020 to 2022. 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, 2023, 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 2022, 2021, and 2020; the School District does not share in this additional sales tax revenue.

Sales tax revenues for the years ended June 30, 2022, 2021, and 2020 were \$164,604,677, \$152,294,354, and \$135,717,725. The increase from 2020 to 2021 was \$16,576,629, or 12.2%, while the increase from 2021 to 2022 was \$12,310,323, or 8.1%. The negative impact of the coronavirus pandemic is retreating in many areas of everyday life, including our economy, as evidenced by strong increases in sales tax revenue in 2021 and 2022, although we are seeing a slow down in the percentage increase during the latter part of 2022 due to inflation and the potential looming recession. The Authority also received State aid for the years ended June 30, 2022, 2021, and 2020 in the amounts of \$161,285,233, \$180,957,607, and \$141,612,849, respectively. Prior to 2020, State Aid had been \$161,285,233 for a number of years. During 2020, the State decreased this amount by \$19,672,374 which represented a 20% withholding of the final State aid allocation for New York State Aid and Incentives to Municipalities (AIM) as a result of unknowns related to the pandemic and its potential impact on the State's budget. In 2021, the State fully restored the previously withheld State aid payment. As a result, the normally recurring annual AIM payment of \$161,285,233 was reinstated in 2021, plus the amount of \$19,672,374 previously withheld in 2020 was remitted as well. The year 2022 represents the prepandemic amount of \$161,285,233. Investment income, which accounts for the remaining Authority revenue, totaled \$153,446, \$261,408, and \$528,707 for the years ended June 30, 2022, 2021, and 2020, 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 of \$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 (\$43,720) at June 30, 2022, as compared to (\$292,723) at June 30, 2021 and (\$227,570) at June 30, 2020. The increase of \$249,003 from 2021 to 2022 as well as the decrease of \$65,153 from 2020 to 2021 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 \$1,960,000 in 2022. There was a decrease in total liabilities of \$2,930,025 from 2021 to 2022 due to the combination of debt payments and a decrease in sales tax payments due to the City of \$458,083 at June 30, 2022. The combination of the debt payments of \$4,690,000 in 2021 and increased sales tax due to the City of \$4,311,667 resulted in an \$893,362 decrease in total liabilities from 2020 to 2021. Total assets decreased \$2,606,505 from 2021 to 2022 as the Authority received principal payments from the City on outstanding notes receivable of \$2,234,086 as well as due to a decrease in the amount due from New York State as a result of a decrease in sales tax receivable. Total assets decreased \$535,687 from 2020 to 2021 as the Authority received principal payments from the City on outstanding notes receivable of \$2,136,394, the amount due from New York State increased from the prior year due to an overall increase in sales tax receivable as a result of the continued economic recovery from the pandemic, and investments decreased by \$2,911,656 resulting from the overall decrease in bonds payable.

Cash and investments totaled \$2,702,657, \$2,718,269, and \$5,619,836 at June 30, 2022, 2021, and 2020, respectively. These amounts include funds for the future repayment of debt in the amount of \$2,355,807, \$2,316,834, and \$5,206,247 at June 30, 2022, 2021, and 2020, respectively. Additionally, cash and investments included \$37, \$40, and \$621 of accrued interest to be paid to the City at June 30, 2022, 2021, and 2020, respectively, from funds held by the Authority in a money market account. Remaining cash and investments represent cash available for BFSAs operating expenses.

Interest expense reported in the governmental fund statements decreased from 2021 to 2022 by \$102,615 and from 2020 to 2021 by \$224,198. The decreases were due to decreases in bonds payable.

Operating expenses reported in the governmental fund statements totaled \$701,537, \$693,773, and \$713,333 for the years ended June 30, 2022, 2021, and 2020. Total operating expenses increased \$7,764 or 1.1% from 2021 to 2022 and decreased \$19,560 or 2.7% from 2020 to 2021. The changes year to year are minor and fluctuations are discussed below.

Staff expenses for the years ended June 30, 2022 and 2021 were as follows:

	2022	2021	Increase / (Decrease)	Percentage Change
Wages	\$ 407,760	\$ 407,136	\$ 624	0.2%
Other staff-related expenses	6,341	3,540	2,801	79.1%
Total direct staff expenses	414,101	410,676	3,425	0.8%
Staff benefits:				
ERS contributions	58,875	62,464	(3,589)	(5.7%)
Payroll taxes and unemployment	31,947	30,213	1,734	5.7%
Health insurance (net of employee contributions)	94,770	91,531	3,239	3.5%
Total staff benefits	185,592	184,208	1,384	0.8%
Total staff expenses	\$ 599,693	\$ 594,884	\$ 4,809	0.8%

Other staff-related expenses increased \$2,801 or 79.1% from 2021 to 2022. The primary reason for the increase was staff returning to the office after the pandemic causing increases in expenses such as parking and staff development.

ERS contributions decreased by \$3,589 or 5.7% from 2021 to 2022. The decrease is primarily a result of a change in actuarial assumptions from 2021 to 2022.

Health insurance expense increased \$3,239 or 3.5% from 2021 to 2022 due to an increase in the monthly premiums.

Staff expenses for the years ended June 30, 2021 and 2020 were as follows:

	2021	2020	Increase / (Decrease)	Percentage Change
Wages	\$ 407,136	\$ 413,309	\$ (6,173)	(1.5%)
Other staff-related expenses	3,540	8,612	(5,072)	(58.9%)
Total direct staff expenses	410,676	421,921	(11,245)	(2.7%)
Staff benefits:				
ERS contributions	62,464	56,308	6,156	10.9%
Payroll taxes	30,213	29,895	318	1.1%
Health insurance (net of employee contributions)	91,531	91,125	406	0.4%
Total staff benefits	184,208	177,328	6,880	3.9%
Total staff expenses	\$ 594,884	\$ 599,249	\$ (4,365)	(0.7%)

Staff expenses decreased \$4,365 or 0.7% from 2020 to 2021. The primary reason for the decrease is that in 2020 there was an overlap of time where two employees filled one position for training related to the transition. This overlap did not exist in 2021 which resulted in a decrease in the expenses.

Other staff-related expenses decreased \$5,072 or 58.9% from 2020 to 2021. The primary reason for the decrease was due to the pandemic, which led to staff working remotely and less was expended for staff-related expenses.

ERS contributions increased by \$6,156 or 10.9% from 2020 to 2021. The increase is primarily a result of the increase in the Authority's covered payroll which is used to determine the required contribution as well as changes in actuarial assumptions from 2020 to 2021.

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, 2022, 2021, and 2020.

	2022	2021	Increase / (Decrease)	Percentage Change
Legal fees	\$ 6,418	\$ 7,478	\$ (1,060)	(14.2%)
Other professional fees	37,356	32,398	4,958	15.3%
Total professional fees	\$ 43,774	\$ 39,876	\$ 3,898	9.8%

	2021	2020	Increase / (Decrease)	Percentage Change
Legal fees	\$ 7,478	\$ 14,940	\$ (7,462)	(49.9%)
Other professional fees	32,398	41,358	(8,960)	(21.7%)
Total professional fees	\$ 39,876	\$ 56,298	\$ (16,422)	(29.2%)

Total professional fees increased \$3,898 or 9.8% from 2021 to 2022 due to increased expenditures as the Authority required more consulting services.

Total professional fees decreased \$16,422 or 29.2% from 2020 to 2021 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, 2022, 2021, and 2020 are as follows:

	2022	2021	Increase / (Decrease)	Percentage Change
Facilities expenses – Public Board Meetings	\$ 2,776	\$ 1,230	\$ 1,546	125.7%

	2021	2020	Increase / (Decrease)	Percentage Change
Facilities expenses – Public Board Meetings	\$ 1,230	\$ 2,434	\$ (1,204)	(49.5%)

Meeting expenses increased from 2021 to 2022 by \$1,546 or 125.7%. This increase is primarily due to the lifting of restrictions on public setting meetings as the impact of the pandemic continues to lessen.

Meeting expenses decreased from 2020 to 2021 by \$1,204 or 49.5%. This decrease is primarily due to the coronavirus pandemic and the continued limitation on public setting meetings.

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, 2022, 2021, and 2020:

	2022	2021	Increase/ (Decrease)	Percentage Change
Office services including postage and delivery	\$ 4,613	\$ 4,318	\$ 295	6.8%
Rent	44,133	43,940	193	0.4%
Telephone and data processing	4,965	5,715	(750)	(13.1%)
Office supplies	693	2,510	(1,817)	(72.4%)
Equipment	890	1,300	(410)	(31.5%)
Total other expenditures	\$ 55,294	\$ 57,783	\$ (2,489)	(4.3%)

	2021	2020	Increase / (Decrease)	Percentage Change
Office services including postage and delivery	\$ 4,318	\$ 4,126	\$ 192	4.7%
Rent	43,940	43,940	-	-
Telephone and data processing	5,715	5,076	639	12.6%
Office supplies	2,510	927	1,583	170.8%
Equipment	1,300	1,283	17	1.3%
Total other expenditures	\$ 57,783	\$ 55,352	\$ 2,431	4.4%

During 2022 there was a decrease in office-related expenses, largely in office supplies as fewer items were needed.

During 2021 there was a small increase in office-related expenses, largely in office supplies as items were needed.

Debt Service Fund

The Authority did not enter into any new debt transactions during the fiscal years ended June 30, 2022, June 30, 2021, and June 30, 2020.

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,	2022	2021
Assets		
Cash and cash equivalents	\$ 562,778	\$ 472,184
Investments	2,139,879	2,246,085
Notes receivable - City of Buffalo due within one year	2,223,964	2,119,585
Due from other governments, net	16,432,560	16,939,725
Other assets	24,717	17,039
Notes receivable - City of Buffalo	802,504	3,140,969
Net pension asset	142,680	-
Total assets	22,329,082	24,935,587
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	263,471	349,152
Liabilities		
Accounts payable	10,864	9,478
Accrued liabilities	114,460	152,835
Due to the City of Buffalo - sales tax	15,897,744	16,355,827
Long-term liabilities		
Due within one year:		
Bonds	2,040,000	1,960,000
Due beyond one year:		
Bonds and related premiums	3,038,580	5,287,454
Net pension liability	-	1,697
Total OPEB liability	1,017,350	1,281,732
Total liabilities	22,118,998	25,049,023
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	517,275	528,439
Net Position		
Restricted	2,489,051	2,423,496
Unrestricted	(2,532,771)	(2,716,219)
Total net position (deficit)	\$ (43,720)	\$ (292,723)

See accompanying notes.

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

Statement of Activities

For the years ended June 30,	2022	2021
Expenses		
General and administrative	\$ 367,295	\$ 859,679
Distributions		
City of Buffalo - general operations	268,498,606	278,274,179
City of Buffalo School District	56,938,684	54,352,281
Interest expense	(10,232)	92,383
Total expenses	325,794,353	333,578,522
General revenues		
State aid	161,285,233	180,957,607
Sales tax	164,604,677	152,294,354
Interest and other income	153,446	261,408
Total general revenues	326,043,356	333,513,369
Change in net position	249,003	(65,153)
Net position (deficit) - beginning	(292,723)	(227,570)
Net position (deficit) - ending	\$ (43,720)	\$ (292,723)

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

Balance Sheet - Governmental Funds

June 30, 2022

(With summarized comparative totals as of June 30, 2021)

	General	Debt Service	Total Governmental Funds	
			2022	2021
Assets				
Cash and cash equivalents	\$ 346,850	\$ 215,928	\$ 562,778	\$ 472,184
Investments	-	2,139,879	2,139,879	2,246,085
Due from other governments, net	16,368,128	3,090,900	19,459,028	22,200,279
Due from other funds, net	-	185,446	185,446	185,446
Other assets	24,717	-	24,717	17,039
Total assets	\$ 16,739,695	\$ 5,632,153	\$ 22,371,848	\$ 25,121,033
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 10,864	\$ -	\$ 10,864	\$ 9,478
Accrued liabilities	62,258	52,202	114,460	152,835
Due to the City of Buffalo - sales tax	15,897,744	-	15,897,744	16,355,827
Due to other funds, net	185,446	-	185,446	185,446
Total liabilities	16,156,312	52,202	16,208,514	16,703,586
Fund Balances				
Nonspendable:				
Prepaid expenses	24,717	-	24,717	17,039
Restricted:				
Debt service	-	5,579,951	5,579,951	7,797,056
Unassigned	558,666	-	558,666	603,352
Total fund balances	583,383	5,579,951	6,163,334	8,417,447
Total liabilities and fund balances	\$ 16,739,695	\$ 5,632,153	\$ 22,371,848	\$ 25,121,033

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

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

June 30, 2022

Total fund balances - governmental funds \$ 6,163,334

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:

Net pension asset	142,680	
Deferred outflows of resources related to pensions	263,471	
Deferred inflows of resources related to pensions	<u>(517,275)</u>	(111,124)

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	(5,078,580)	
Total OPEB liability	<u>(1,017,350)</u>	(6,095,930)

Net position - governmental activities \$ (43,720)

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, 2022
(With summarized comparative totals for June 30, 2021)

	General	Debt Service	Total Governmental Funds	
			2022	2021
Revenues				
State aid	\$ 161,285,233	\$ -	\$ 161,285,233	\$ 180,957,607
Sales tax	164,604,677	-	164,604,677	152,294,354
Interest and other income	37	153,409	153,446	261,408
Total revenues	325,889,947	153,409	326,043,356	333,513,369
Expenditures				
General and administrative	701,537	-	701,537	693,773
Distributions				
City of Buffalo - general operations	268,427,528	71,078	268,498,606	278,274,179
City of Buffalo School District	56,938,684	-	56,938,684	54,352,281
Debt service				
Principal	-	1,960,000	1,960,000	4,690,000
Interest	-	198,642	198,642	301,257
Total expenditures	326,067,749	2,229,720	328,297,469	338,311,490
Excess revenues (expenditures)	(177,802)	(2,076,311)	(2,254,113)	(4,798,121)
Other financing sources (uses)				
Operating transfers	140,794	(140,794)	-	-
Net change in fund balances	(37,008)	(2,217,105)	(2,254,113)	(4,798,121)
Fund balances - beginning	620,391	7,797,056	8,417,447	13,215,568
Fund balances - ending	\$ 583,383	\$ 5,579,951	\$ 6,163,334	\$ 8,417,447

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

**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, 2022

Total net change in fund balances - governmental funds \$ (2,254,113)

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:

2022 contribution	63,939	
2022 accrued contribution	11,390	
2021 accrued contribution	(16,454)	
2022 pension income	<u>10,985</u>	69,860

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. 264,382

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. 1,960,000

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>208,874</u>	
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Change in net position - governmental activities \$ 249,003

Notes to Financial Statements

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, 2021, 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 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 treasury bills 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 of resources, if any, 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, 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 2022 include:

- The receipt and remittance to the City of sales tax revenues. Revenues of \$164,604,677 were recorded, of which \$104,776,152 was or will be paid to the City and \$56,938,684 was designated for the District. The balance was retained for Authority operations and to provide for a debt service sinking fund.

- State aid of \$161,285,233 was received during 2022 and distributed to the City.
- Distributions paid or accrued to the City in 2022 totaled \$268,498,606, which includes \$104,776,152 of sales tax receipts, \$163,651,376 of State aid and other revenue, and interest receipts of \$71,078.

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, 2022, 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, 2022 consist of the following:

	Cost	Fair Value
Cash	\$ 233,690	\$ 233,690
Money market	329,088	329,088
U.S. Treasury Notes/Bonds	1,310,061	1,326,338
Federal Home Loan Bank Discount Notes	170,705	172,410
Federal National Mortgage Association	314,741	326,709
U.S. Cash Management Bill	170,683	171,675
U.S. Treasury Bill	138,928	142,747
	<u>\$ 2,667,896</u>	<u>\$ 2,702,657</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, if any, due within 45 days of purchase.

4. Due from Other Governments

Due from Other Governments:	
New York State	
May and June sales tax receipts	\$ 16,368,128
Accrued interest due from the City	64,432
	<u>\$ 16,432,560</u>
Due from the City:	
Mirror bond 2005A (1/15/2025), interest at 5.0% inclusive of premium of \$143,362	\$ 1,003,709
Mirror bond 2007A (1/15/2023), interest at 5.0% inclusive of premium of \$71,521	2,022,759
	3,026,468
Amount due within one year	2,223,964
	<u>\$ 802,504</u>

Amounts to be received from the City, net of bond premiums of \$214,883 on the remaining mirror bonds are as follows:

Years ending June 30,	Principal	Interest
2023	\$ 2,223,964	\$ 140,579
2024	285,163	29,381
2025	302,458	15,123
	<u>\$ 2,811,585</u>	<u>\$ 185,083</u>

5. Long-Term Liabilities

	July 1, 2021	Increases	Decreases	June 30, 2022	Amount Due in One Year
Series 2007A bond maturing September 2023 with interest ranging from 4.0% to 5.0% over the life of the bond. Secured by future sales tax and state aid revenues.	\$ 5,690,000	\$ -	\$ 1,825,000	\$ 3,865,000	\$ 1,895,000
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.	750,000	-	135,000	615,000	145,000
	<u>6,440,000</u>	<u>-</u>	<u>1,960,000</u>	<u>4,480,000</u>	<u>2,040,000</u>
Premiums:					
2007A	128,888	-	55,238	73,650	-
2015A	678,566	-	153,636	524,930	-
	<u>807,454</u>	<u>-</u>	<u>208,874</u>	<u>598,580</u>	<u>-</u>
	<u>\$ 7,247,454</u>	<u>\$ -</u>	<u>\$ 2,168,874</u>	<u>\$ 5,078,580</u>	<u>\$ 2,040,000</u>

Debt Service Requirements

Years ending June 30,	Principal	Interest
2023	\$ 2,040,000	\$ 143,825
2024	2,120,000	59,150
2025	155,000	12,125
2026	165,000	4,125
	<u>\$ 4,480,000</u>	<u>\$ 219,225</u>

6. Pension Plan

Plan Description

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.

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 2022, these rates ranged from 10.6% - 18.2%.

A liability to ERS of \$11,390 is accrued based on the Authority’s legally required contribution for employee services rendered from April 1 through June 30, 2022.

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

At June 30, 2022, the Authority reported an asset of \$142,680 for its proportionate share of the net pension position.

The total pension liability at the March 31, 2022 measurement date was determined by an actuarial valuation as of April 1, 2021, with update procedures applied to roll forward the total pension liability to March 31, 2022. 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 March 31, 2022, the Authority’s proportion was 0.0017454%, an increase of 0.0000414 from its proportion measured as of March 31, 2021.

For the year ended June 30, 2022, the Authority recognized pension income of \$10,985. At June 30, 2022, 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	\$ 10,805	\$ 14,015
Changes of assumptions	238,117	4,018
Net difference between projected and actual earnings on pension plan investments	-	467,217
Changes in proportion and differences between Authority contributions and proportionate share of contributions	3,159	32,025
Authority contributions subsequent to the measurement date	11,390	-
	<u>\$ 263,471</u>	<u>\$ 517,275</u>

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

Years ending June 30,	
2023	\$ (48,748)
2024	(61,591)
2025	(127,211)
2026	(27,644)
	<u>\$ (265,194)</u>

Actuarial Assumptions

The actuarial assumptions used in the April 1, 2021 valuation, with update procedures used to roll forward the total pension liability to March 31, 2022, were based on the results of an actuarial experience study for the period April 1, 2015 to March 31, 2020. These assumptions are:

Inflation - 2.7%

Salary increases – 4.4%

Cost of living adjustments – 1.4% annually

Investment rate of return – 5.9% compounded annually, net of investment expense, including inflation

Mortality - Society of Actuaries' Scale MP-2020

Discount rate – 5.9%

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	32%	3.3%
Global and international equities	15%	5.9%
Private equities	10%	6.5%
Real estate	9%	5.0%
Fixed income	23%	-
Short-term	1%	(1.0)%
Other	10%	3.8%-5.8%
	100%	

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 5.9% 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)	\$ (367,257)	\$ 142,680	\$ 569,218

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, 2022, 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 \$1,017,350 was measured as of June 30, 2022 and was determined using the alternative measurement method, available to plans with fewer than 100 employees, as of June 30, 2022.

The total OPEB liability using the alternative measurement method as of June 30, 2022 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 4.9%, with an ultimate rate of 4.3% after ten years

Salary increases – 2.0%

Mortality – Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years

Discount rate – 3.34% 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, 2021	\$ 1,281,732
Changes for the year:	
Service cost	112,210
Interest	30,109
Changes of benefit terms	-
Differences between expected and actual experience	(75,420)
Changes of assumptions or other inputs	(331,281)
Benefit payments	-
Net changes	<u>(264,382)</u>
Balance at June 30, 2022	<u>\$ 1,017,350</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 (2.34%)	Discount Rate (3.34%)	1.0% Increase (4.34%)
Total OPEB liability	<u>\$ (1,290,765)</u>	<u>\$ (1,017,350)</u>	<u>\$ (807,419)</u>

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 (3.9% to 3.3%)	Healthcare Cost Trend Rate (4.9% to 4.3%)	1.0% Increase (5.9% to 5.3%)
Total OPEB liability	\$ (779,735)	\$ (1,017,350)	\$ (1,331,701)

For the year ended June 30, 2022, the Authority recognized OPEB income of \$264,382.

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 continued in 2022, and the Authority continued to operate in compliance with government safety mandates. The full extent of the impact of COVID-19 on the Authority’s operational and financial performance will continue to 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.

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,	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension position	0.0017454%	0.0017040%	0.0017601%	0.0018207%	0.0018707%	0.0019883%	0.0018893%	0.0018411%
Authority's proportionate share of the net pension asset (liability)	\$ 142,680	\$ (1,697)	\$ (466,096)	\$ (129,004)	\$ (60,374)	\$ (186,826)	\$ (303,242)	\$ (62,198)
Authority's covered payroll	\$ 384,523	\$ 398,106	\$ 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	37.11%	0.43%	124.27%	35.17%	16.40%	48.28%	85.47%	18.58%
Plan fiduciary net position as a percentage of the total pension liability	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%
The following is a summary of changes of assumptions:								
Inflation	2.7%	2.7%	2.5%	2.5%	2.5%	2.5%	2.5%	2.7%
Salary increases	4.4%	4.4%	4.2%	4.2%	3.8%	3.8%	3.8%	4.9%
Cost of living adjustments	1.4%	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%
Investment rate of return	5.9%	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Discount rate	5.9%	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Society of Actuaries' mortality scale	MP-2020	MP-2020	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

For the years ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 63,939	\$ 59,480	\$ 56,308	\$ 54,897	\$ 55,466	\$ 58,035	\$ 67,365	\$ 62,469	\$ 75,625	\$ 53,237
Contribution in relation to the contractually required contribution	(63,939)	(59,480)	(56,308)	(54,897)	(55,466)	(58,035)	(67,365)	(62,469)	(75,625)	(53,237)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 384,523	\$ 398,106	\$ 375,073	\$ 366,813	\$ 368,236	\$ 386,979	\$ 354,794	\$ 334,762	\$ 348,621	\$ 306,554
Contributions as a percentage of covered payroll	16.63%	14.94%	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**

For the years ended June 30,	2022	2021	2020	2019	2018
Total OPEB liability - beginning	\$ 1,281,732	\$ 1,074,255	\$ 1,513,486	\$ 1,283,543	\$ 1,120,850
Changes for the year:					
Service cost	112,210	112,210	112,210	118,694	162,693
Interest	30,109	26,221	56,899	54,267	-
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(75,420)	52,956	(900,335)	(58,182)	-
Changes of assumptions or other inputs	(331,281)	16,090	291,995	115,164	-
Benefit payments	-	-	-	-	-
Net change in total OPEB liability	(264,382)	207,477	(439,231)	229,943	162,693
Total OPEB liability - ending	\$ 1,017,350	\$ 1,281,732	\$ 1,074,255	\$ 1,513,486	\$ 1,283,543
Covered-employee payroll	\$ 407,760	\$ 407,136	\$ 413,309	\$ 384,296	\$ 375,724
Total OPEB liability as a percentage of covered-employee payroll	249.5%	314.8%	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

The following is a summary of changes of assumptions:

Healthcare cost trend rates	4.9% - 4.3%	4.9% - 4.3%	4.6% - 4.7%	4.6% - 4.7%	4.6% - 4.7%
Salary increases	2.0%	2.0%	2.0%	4.0%	4.0%
Discount rate	3.34%	2.16%	2.21%	3.5%	3.87%
Mortality table	Pub-2010	Pub-2010	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,	2022	2021
Board functions		
Public meeting expenses	\$ 2,776	\$ 1,230
Staff expenses		
Wages	407,760	407,136
Professional development	2,629	1,926
Parking	2,660	537
Payroll processing fees	1,052	1,077
	<u>414,101</u>	<u>410,676</u>
Central services		
Postage, printing, and dues	2,262	2,909
Rent	44,133	43,940
Telephone and data processing	4,965	5,715
Insurance	2,351	1,409
Office supplies	693	2,510
Equipment	890	1,300
	<u>55,294</u>	<u>57,783</u>
Administrative		
Professional fees and consultants	37,356	32,398
Legal fees	6,418	7,478
	<u>43,774</u>	<u>39,876</u>
Employee benefits		
New York State and Local Employees' Retirement System contributions	58,875	62,464
Social security and medicare taxes and unemployment	31,947	30,213
Medical insurance net of employee contributions	94,770	91,531
	<u>185,592</u>	<u>184,208</u>
Total general and administrative expenditures - general fund	\$ 701,537	\$ 693,773

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, 2022, 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 21, 2022.

Report on 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) as a basis for designing 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 or significant deficiencies, 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 or significant deficiencies may exist that have not been identified.

Report on 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 financial statements. 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 "Sumner & McCormick, LLP". The signature is written in a cursive style with a large, stylized initial 'S'.

September 21, 2022

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, 2022, 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 21, 2022.

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, 2022. 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 21, 2022