

MANAGEMENT LETTER

September 24, 2018

The Audit, Finance and Budget Committee,
Board of Directors, and Management
Buffalo Fiscal Stability Authority

In planning and performing our audit of 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, 2018, in accordance with auditing standards generally accepted in the United States of America, 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. 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.

INFORMATIONAL POINTS

The following points are for informational purposes only and we do not consider it necessary for management to include a response within the District's corrective action plan.

1. Upcoming changes due to GASB Statement No. 87

GASB Statement No. 87, *Leases*, is effective for the Authority's year ending June 30, 2021. It requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and that recognized income or expenditures, based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease as a liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

2. **Upcoming changes due to GASB Statement No. 88**

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, is effective for the Authority's year ending June 30, 2019. It requires disclosure in the footnotes for additional information related to debt, including unused lines of credit, assets pledged as collateral, and terms specified in debt agreements related to significant events of default, termination events with finance-related consequences, and significant acceleration clauses.

This communication is intended solely for the information and use of the Authority's management; Audit, Finance and Budget Committee; and Board of Directors. It is not intended to be, and should not be, used by anyone other than these specified parties.

Lumaden & McCormick, LLP