

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

September 23, 2011

The Audit Committee and Board of Directors
Buffalo Fiscal Stability Authority

We have audited the financial statements of the governmental activities and each major fund of Buffalo Fiscal Stability Authority (the Authority) for the year ended June 30, 2011, and have issued our report thereon dated September 23, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated June 13, 2011. Professional standards also require that we provide you with the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. As discussed in Note 2 of the financial statements, the Authority adopted Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Other than the adoption of GASB 54, no new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Timing of the recognition of sales tax revenue and payments accrued to the City of Buffalo
- Other postemployment benefits expense and liability accrual
- Accrual of interest income and expense and bond premium amortization
- Fair value of the Authority's investments
- Accrual of state aid revenue

Management's process for determining the above estimates is based on firm concepts and reasonable assumptions of future events. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are of particular importance because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are reflected in Note 4 – Due from Other Governments, Note 6 – Long-Term Liabilities, Note 8 – Postemployment Healthcare Benefits, and Note 9 - Commitments and Contingencies. These disclosures present the existing receivables from the City by using mirror bonds, obligations of the Authority on behalf of the City of Buffalo, accounting for other postemployment benefits, and provide information relative to the Authority’s various legal proceedings.

We evaluated the above disclosures in relation to the financial statements taken as a whole and determined that they are reasonable.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit. Audit procedures included consultation with the Government Accounting Standards Board related to proper reporting of postemployment benefits other pension changes for 2011.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. As part of the audit process, we assist management in adjusting the records for the preparation of the financial statements in accordance with GASB 34. Such process entails identifying adjustments not previously recorded as well as obtaining additional adjustments from management. Management has agreed to all such adjustments. In addition, there were no misstatements detected through our audit procedures that have not been corrected by management and none of the misstatements detected were material, either individually or in the aggregate, to each opinion unit’s financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 23, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Authority’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

Szymiden & McCormick, LLP