

## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

September 24, 2014

The Audit, Finance and Budget 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, 2014. 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 to you in our engagement letter dated February 21, 2014. Professional standards also require that we communicate to you 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. 65, *Items Previously Reported as Assets and Liabilities*. Other than GASB 65, no new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus.

#### *Estimates*

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
- Value of the Authority's investments

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.

### *Footnote Disclosures*

Certain financial statement disclosures are particularly important because of their significance to financial statement users. The most important disclosures affecting the financial statements are reflected in Note 5 – Due from Other Governments, Note 7 – Long-Term Liabilities and Note 9 – Postemployment Healthcare Benefits. These disclosures present the existing receivables from the City by using mirror bonds, obligations of the Authority on behalf of the City of Buffalo, and accounting for other postemployment benefits.

The financial statement disclosures are neutral, consistent, and clear.

### **Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing and completing our audit.

### **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.

### **Disagreements with Management**

For purposes of this letter, a disagreement with management is 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 24, 2014.

### **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.

### **Other Matters**

We applied certain limited procedures to management's discussion and analysis and schedule of funding progress other postemployment benefits which are required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on certain supplementary information accompanying the financial statements that is not RSI, which include the schedule of administrative expenses – general fund. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### **Restriction on Use**

This information 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.

*Lumden & McCormick, LLP*