

MANAGEMENT LETTER

September 21, 2015

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, 2015, 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

1. Upcoming changes due to GASB Statement No. 72

GASB Statement No. 72, *Fair Value Measurement and Application*, is effective for the Authority's year ending June 30, 2016. This statement will require disclosures about fair value measurements, the level of fair value within an established hierarchy of inputs, and valuation techniques. The intention of GASB Statement No. 72 is to enhance the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

2. Upcoming changes due to GASB Statement No. 75

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces GASB Statement No. 45 and is effective for the Authority's year ending June 30, 2018. This statement will require recognition of the Authority's full unfunded actuarial accrued liability for OPEB in the statement of net position, rather than the current method of recognizing only an amortized portion of the total. For defined benefit OPEB plans like the Authority's plan, this statement also identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements are also addressed. The intention of GASB Statement No. 75 is to report data consistent with the methods of accounting to be used for pension plans under GASB Statement No. 68, which was implemented in the current year.

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