Lumsden & McCormick, LLP
Certified Public Accountants

MANAGEMENT LETTER

September 17, 2008

The Audit Committee, Board of Education,
and Management
Buffalo Fiscal Stability Authority
Buffalo, New York

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) as of and for the year ended June 30, 2008, 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 our auditing procedures 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to errors or fraud may occur and not be detected by such controls.

OTHER MATTERS

- In our prior year management letter, we had referred to new auditing standards issued by the American Institute of Certified Accountants (AICPA) and our required communication regarding our involvement in the preparation of financial statements. Although we continue to assist management with the preparation of the annual financial statements and footnotes, based on additional information obtained from the AICPA and our ability to reassess the skills of management over financial reporting, we no longer need to refer to our comments as a significant deficiency in management letters.

- Also in our prior year management letter, we referred to the Authority's required adoption of GASB Statement No. 45, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."* Management successfully obtained the assistance of actuaries to value the necessary data and assist in the implementation of this important pronouncement in the current year financial statements.

We have discussed these comments with Authority personnel, and would be pleased to discuss it in further detail or perform any additional studies.

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

Lumsden & McCormick, LLP