Lumsden & McCormick, LLP
Certified Public Accountants

September 14, 2012

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

In planning and performing our audit of the financial statements of Buffalo Fiscal Stability Authority (the Authority) as of and for the year ended June 30, 2012, 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 an opinion 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.

Separation of duties

Separation of duties, defined as the involvement of more than one person in processing related transactions, is an important element of internal control. In the prior year, we noted the Executive Director performed her responsibilities as well as performing the responsibilities of the Comptroller due to turnover in this position. The Executive Director's work was reviewed and approved by staff members. The Comptroller position was filled in the current year and accounting functions are performed by the Comptroller. The Executive Director reviews the work of the Comptroller. We continue to recommend that purchases made be approved at one level above the person who initiated the purchase.

Upcoming changes due to GASB 63 and 65

Two new GASB statements have been issued which will impact the Authority's financial statements. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* will require that financial statements differentiate deferred inflows and outflows of resources from assets and liabilities. This Statement will also require that the financial statements replace the term *net assets* with *net position* and will be effective for the Authority's year ending June 30, 2013.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* clarifies which items will now be reported as deferred inflows and outflows of resources. Examples of these items include: defeasance gain/loss on refunded debt, nonexchange transactions (grants), and debt issuance costs. This statement also changes the calculation for the determination of major funds and limits use of the term *deferred* in the financial statements. It will be effective for the Authority's year ending June 30, 2014.

This communication is intended solely for the information and use of the Audit Committee, 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.

Lumsden & McCormick, LLP