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September 16, 2013

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, 2013, 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.

Upcoming changes due to GASB 65 and 68

Two new GASB statements have been issued which will impact the Authority's financial statements. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* establishes accounting and financial reporting standards that reclassify certain items that were previously reported as assets and liabilities as either deferred outflows/inflows of resources or outflows/inflows of resources. Examples of these items include: defeasance gain/loss on refunded debt, nonexchange transactions (grants), and debt issuance costs. Pursuant to this new pronouncement, a retroactive adjustment for bond issuance costs previously recorded as an asset will be required. 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.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* will be effective for the year ending June 30, 2015. The pronouncement will have sweeping effects on pension accounting by governmental entities. The current funding model will change to a full accrual model and will require the Authority to reflect on its statement of net position the proportionate share of liabilities for the New York State and Local Employees' Retirement System attributable to services provided by Authority employees who are members of the system. The pronouncement will require more detailed disclosures on pension liabilities and expense, and the financial statements will contain required supplemental information for key pension data over 10 years.

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