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*Certified Public Accountants*

September 23, 2020

The Honorable Comptroller of  
the City of Buffalo, New York:

We have audited the financial statements of the City of Buffalo Urban Renewal Agency (the “Agency”), a component unit of the City of Buffalo, New York, as of and for the year ended June 30, 2020, and have issued our report thereon dated September 23, 2020. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated July 14, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Agency solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding other matters noted during our audit in a separate letter to you dated September 23, 2020.

**Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

## **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Agency is included in Note 1 to the financial statements. Except for the matters discussed below, there have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2020.

During the year ended June 30, 2020, the Agency implemented GASB Statements No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61* and GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing effective dates of certain provisions in Statements No. 84, 87, 89, 91, 92, 93, 94, 96 and 97. The implementation of GASB Statements No. 90 and 95 did not have a material impact on the Agency's financial position or results from operations.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements for the year ended June 30, 2020 were the allowance for doubtful accounts, compensated absences liability, other postemployment benefits ("OPEB") obligation, and the net pension liability.

Management's estimate of the allowance for doubtful accounts, compensated absences liability, OPEB obligation, and the net pension liability are based on available information regarding eligibility, leave balances accrued, current compensation rates, past trends, estimates of third party specialists and actuarial valuations performed by a consultant. We evaluated the key factors, inputs, and assumptions used to develop these estimates and determined that they are reasonable in relation to the financial statements taken as a whole and in relation to the applicable opinion units.

### **Significant Difficulties Encountered During the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. Material misstatements that were identified as a result of our audit procedures were brought to the attention of, and corrected by, management. Those items are included within the adjusting journal entries for the year ended June 30, 2020, which are attached to the management representation letter dated September 23, 2020 as Exhibit I (copy attached).

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Agency's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated September 23, 2020.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings or Issues**

In the normal course of our professional association with the Agency, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Agency's auditors.

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

*Drescher & Malecki LLP*

September 23, 2020

**City of Buffalo Urban Renewal Agency  
Proposed Adjusting Journal Entry  
For the Year Ended June 30, 2020**

**Exhibit I**

<b>Account</b>	<b>Description</b>	<b>Debit</b>	<b>Credit</b>
<b>Proposed Adjusting Journal Entry JE # 1</b>			
For reporting purposes only: To reclassify the loss on sale of property at year end.			
U299-392001-	GAIN/LOSS SALE OF PROPERTY	\$ 29,445	
U299-489110-UJY4	TRANSFER OF PROPERTY TO THE CITY OF BUFFALO	-	\$ 29,445
<b>Total</b>		<u><b>29,445</b></u>	<u><b>29,444</b></u>
<b>Proposed Adjusting Journal Entry JE # 2</b>			
For reporting purposes only: To reclassify sale of property revenue from program income to sale of real estate.			
U299-390001-	PROGRAM INCOME	12,235	
U299-392001	PROPERTY SALE REVENUE	-	12,235
<b>Total</b>		<u><b>12,235</b></u>	<u><b>12,235</b></u>
<b>Proposed Adjusting Journal Entry JE # 3</b>			
For reporting purposes only: To eliminate interfund loan balances within the General Fund.			
U200-208100-	INTERFUND PAYABLE BURA GEN FUN	824,608	
U201-208100-	INTERFUND PAYABLE BURA GEN FUN	11,262	
U100-130200-	INTRFND REC FR BURA SPEC REV		824,608
U100-130201-	INTERFUND REC FR BURA EVANS	-	11,262
<b>Total</b>		<u><b>\$ 835,870</b></u>	<u><b>\$ 835,870</b></u>