

CITY OF BUFFALO
URBAN RENEWAL AGENCY
(A Component Unit of the City of Buffalo, New York)
Basic Financial Statements, Required Supplementary
Information, Supplementary Information and Federal
Awards Information for the Year Ended
June 30, 2022 and Independent Auditors' Reports

CITY OF BUFFALO URBAN RENEWAL AGENCY
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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information 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, 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Agency, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Other Matter

As discussed in Note 2 to the financial statements, the Agency restated governmental activities net position as of June 30, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Agency management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other

knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the Real Property Listing but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2022 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Drescher & Malecki LLP

September 28, 2022

CITY OF BUFFALO URBAN RENEWAL AGENCY
Management's Discussion and Analysis
Year Ended June 30, 2022

As management of the City of Buffalo Urban Renewal Agency (the "Agency"), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Agency's financial statements, which follow this narrative. For comparative purposes, certain data from the prior year has been reclassified to conform to the current year presentation.

Financial Highlights

- The assets and deferred outflows of resources of the Agency's primary government exceeded the liabilities and deferred inflows of resources by \$780,868 at the close of the most recent fiscal year. This consists of \$414,620 net investment in capital assets, \$927,815 restricted for specific purposes, and an unrestricted net position of \$(561,567).
- The Agency's net position increased by \$1,226,203 during the year ended June 30, 2022.
- At the close of the current fiscal year, the Agency's governmental funds reported combined ending fund balances of \$9,701,251, an increase of \$81,179 in comparison with the prior year's fund balance of \$9,620,072.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$5,602,407. This amount is *available for spending* at the Agency's discretion and constitutes approximately 63.9 percent of the General Fund's total fund balance of \$8,763,367 at June 30, 2022.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements—The *government-wide financial statements* are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the Agency's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The *statement of activities* presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Agency that are principally supported by operating grants and contributions and charges for services (*governmental activities*) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (*business-type activities*). The governmental activities of the Agency's include community development and interest and other fiscal charges. The Agency does not engage in any business-type activities.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements—A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency fall within one category, governmental funds.

Governmental funds—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Agency reports twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Community Development Block Grant Fund, Community Development Block Grant Fund-COVID, Section 8 Housing Program Fund, Home Ownership Made Easy ("HOME") Program Fund, and Emergency Rent Assistance Program Fund, which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Supplementary Information section of this report.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-39 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Agency's net pension liability/(asset) and changes in the Agency's total other postemployment benefits ("OPEB") obligation. Required Supplementary Information and a related note to the required supplementary information can be found on pages 40-43 of this report.

The combining statements referred to earlier in connection with the nonmajor governmental funds, as well as the Schedule of Agency's Investments, are presented immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 44-46.

The Real Property Listing is presented immediately following the Supplementary Information in the Other Information section of this report on pages 47-48.

Finally, the Federal Awards Information section presents the Agency's Schedule of Expenditures of Federal Awards. This section can be found on pages 49-58 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Agency, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$780,868 at June 30, 2022, as compared to \$(445,335), as restated, at the close of the fiscal year ended June 30, 2021.

Table 1, shown below, presents the condensed statements of net position of the Agency at June 30, 2022 and June 30, 2021.

Table 1—Condensed Statements of Net Position

	June 30,	
	2022	2021 (as restated)
Current and other assets	\$ 9,851,935	\$ 8,744,505
Real estate acquired for resale	3,154,389	3,154,389
Noncurrent assets	939,133	405,112
Total assets	<u>13,945,457</u>	<u>12,304,006</u>
Deferred outflows of resources	<u>1,084,460</u>	<u>1,950,157</u>
Current liabilities	2,861,981	2,278,822
Noncurrent liabilities	9,098,206	9,972,110
Total liabilities	<u>11,960,187</u>	<u>12,250,932</u>
Deferred inflows of resources	<u>2,288,862</u>	<u>2,448,566</u>
Net position:		
Net investment in capital assets	414,620	405,112
Restricted	927,815	1,032,654
Unrestricted	(561,567)	(1,883,101)
Total net position	<u>\$ 780,868</u>	<u>\$ (445,335)</u>

The largest positive portion of the Agency's net position, \$927,815, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

An additional portion of the Agency's net position, \$414,620, reflects its investment in capital assets (e.g. buildings and equipment) net of accumulated depreciation/amortization. The Agency uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending.

The remaining component of the Agency’s net position, \$(561,567) is considered to be an unrestricted deficit. This deficit reflects long-term liabilities not related to the Agency’s capital assets, including the compensated absences liability and other postemployment benefits obligation that are funded annually within the funds. Payments for these liabilities are recognized by the General Fund in the year that actual payment is made.

Table 2, as presented below, shows the changes in net position for the years ended June 30, 2022 and June 30, 2021, as restated:

Table 2—Condensed Statements of Changes in Net Position

	Year Ended June 30,	
	2022	2021
Revenues:		
Charges for services	\$ 927,169	\$ 1,330,338
Operating grants and contributions	53,220,813	49,121,934
General revenues	<u>658,684</u>	<u>3,022,856</u>
Total revenues	<u>54,806,666</u>	<u>53,475,128</u>
Program expenses	<u>53,580,463</u>	<u>56,178,694</u>
Change in net position	1,226,203	(2,703,566)
Net position—beginning, as restated	(445,335)	(16,931,811)
Restatement	<u>-</u>	<u>19,190,042</u>
Net position—ending	<u>\$ 780,868</u>	<u>\$ (445,335)</u>

Overall revenues increased 2.5 percent from the prior year, primarily due to increases in federal and state grants, partially offset by decreased sale of real estate. Total expenses decreased 4.6 percent from the year ended June 30, 2021, primarily due to a decrease in public services and human service programs spending in comparison to the prior year.

A summary of sources of revenues for the years ended June 30, 2022 and June 30, 2021 is presented below in Table 3:

Table 3—Summary of Sources of Revenues

	Year Ended June 30,		Increase/(Decrease)	
	2022	2021	Dollars	Percent (%)
Federal grants	\$ 52,077,053	\$ 49,014,992	\$ 3,062,061	6.2
State grants	1,143,760	106,942	1,036,818	969.5
Repayment of program loans	815,261	1,297,967	(482,706)	(37.2)
Sale of real estate	-	1,980,000	(1,980,000)	(100.0)
Rental income	111,908	32,371	79,537	245.7
Interest income	207,710	185,583	22,127	11.9
Miscellaneous	<u>450,974</u>	<u>857,273</u>	<u>(406,299)</u>	<u>(47.4)</u>
Total revenues	<u>\$ 54,806,666</u>	<u>\$ 53,475,128</u>	<u>\$ 1,331,538</u>	<u>2.5</u>

The most significant sources of revenues for the year ended June 30, 2022 were federal grants of \$52,077,053, or 95.0 percent of total revenues, state grants of \$1,143,760, or 2.1 percent of total revenues, and repayments of program loans of \$815,261, or 1.5 percent of total revenues. For the year ended June 30, 2021, the largest sources of revenue were federal grants of \$49,014,992, or 91.7 percent of total revenues, sale of real estate of \$1,980,000, or 3.7 percent of total revenues, and repayments of program loans of \$1,297,967, or 2.4 percent of total revenues.

A summary of program expenses for the years ended June 30, 2022 and June 30, 2021 is presented in Table 4 below:

Table 4—Summary of Program Expenses

	Year Ended June 30,		Increase/(Decrease)	
	2022	2021	Dollars	Percent (%)
Community development:				
Public services and human service programs	\$ 39,532,792	\$ 44,098,269	\$ (4,565,477)	(10.4)
Rehabilitation and preservation activities, including grants and loans	7,340,039	6,699,641	640,398	9.6
Economic development and activities, including grants and loans	10,342	19,712	(9,370)	100.0
Planning, management, and administration	6,696,819	5,360,968	1,335,851	24.9
Interest and other fiscal charges	471	104	367	352.9
Total expenses	<u>\$ 53,580,463</u>	<u>\$ 56,178,694</u>	<u>\$ (2,598,231)</u>	(4.6)

The most significant expense items for the year ended June 30, 2022 were public services and human service programs expenses of \$39,532,792, or 73.8 percent of total expenses, rehabilitation and preservation activities, including grants and loans of \$7,340,039, or 13.7 percent of total expenses, and planning, management and administration expenses of \$6,696,819, or 12.5 percent of total expenses. Similarly, for the year ended June 30, 2021, the most significant expenses were public services and human service programs expenses of \$44,098,269, or 78.5 percent of total expenses, rehabilitation and preservation activities, including grants and loans of \$6,699,641, or 11.9 percent of total expenses, and planning, management and administration expenses of \$5,360,968, or 9.5 percent of total expenses.

Financial Analysis of Governmental Funds

Governmental funds—The focus of the Agency’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency’s financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government’s net resources available for discretionary use, as it represents the portion of fund balance which has not yet been limited to use for a particular purpose by an external party, the Agency itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Agency’s Board of Directors.

At June 30, 2022, the Agency’s governmental funds reported combined ending fund balances of \$9,701,251, an increase of \$81,179 from the prior year. Approximately 57.7 percent of this amount, \$5,602,407, constitutes *unassigned fund balance*, which is available for spending at the Agency’s discretion. The remainder of fund balance is either *nonspendable* or *restricted* to indicate that it is: (1) not in spendable form, \$3,171,029 or (2) restricted for particular purposes, \$927,815.

The General Fund is the chief operating fund of the Agency. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,602,407, while total fund balance increased by \$267,971 to \$8,763,367, largely due to an increase in state grants.

The Community Development Block Grant Fund fund balance at the end of the current fiscal year totaled \$97,373. Revenues and expenditures and transfers out of \$6,414,974 consist of monies received from the federal government under the U.S Department of Housing and Urban Development (“HUD”), and the program’s related project costs, respectively.

The Community Development Block Grant–COVID Fund fund balance at the end of the current fiscal year totaled \$0. Revenues and expenditures of \$3,239,801 consist of monies received from the federal government under the U.S Department of Housing and Urban Development (“HUD”), and the program’s related project costs, respectively.

The Section 8 Housing Program Fund fund balance at the end of the current fiscal year totaled \$0. Revenues and expenditures of \$39,203,065 consist of monies received from the federal government under the U.S Department of Housing and Urban Development (“HUD”), and the program’s related project costs, respectively.

The Home Ownership Made Easy (“HOME”) Program Fund fund balance at the end of the current fiscal year totaled \$0. Revenues and expenditures of \$4,106,017 consist of monies received from the federal government under the U.S Department of Housing and Urban Development (“HUD”), and the program’s related project costs, respectively.

The Emergency Rent Assistance Program Fund fund balance at the end of the current fiscal year totaled \$0. Revenues and expenditures of \$872,862 consist of monies received from the state government under the Emergency Rent Assistance Program, and the program’s related project costs, respectively.

Capital Assets and Debt Administration

Capital assets—The Agency’s capital assets for its governmental activities as of June 30, 2022 amounted to \$431,756 (net of accumulated depreciation/amortization). This investment in capital assets includes buildings, equipment, and right-to-use leased equipment. The Agency does not own any infrastructure assets such as roads, bridges or sewers. All depreciable capital assets were depreciated/amortized from acquisition date to the end of the current year, as outlined in the Agency’s policy.

Capital assets, net of depreciation/amortization for governmental activities at the years ended June 30, 2022 and June 30, 2021 are presented below in Table 5.

Table 5—Summary of Capital Assets (Net of Depreciation/Amortization)

	June 30,	
	2022	2021
Buildings	\$ 385,799	\$ 405,112
Equipment	29,017	-
Right-to-use leased equipment	16,940	-
Total	<u>\$ 431,756</u>	<u>\$ 405,112</u>

Additional information on the Agency’s capital assets can be found in Note 5 to the financial statements.

Long-term liabilities—A summary of the Agency’s long-term liabilities at June 30, 2022 and June 30, 2021 is presented below in Table 6.

Table 6—Summary of Long-Term Liabilities

	June 30,	
	2022	2021 (as restated)
Lease liability	\$ 17,136	\$ -
Compensated absences	273,103	266,745
OPEB obligation	8,789,545	9,663,116
Long-term retirement liability	18,422	36,844
Net pension liability	-	5,405
Total	<u>\$ 9,098,206</u>	<u>\$ 9,972,110</u>

Additional information on the Agency’s long-term liabilities can be found in Note 11 to the financial statements.

Economic Factors and Next Year’s Grant Information

To generate the greatest impacts from dwindling grant funds, the Agency works with the City of Buffalo to focus redevelopment efforts on neighborhoods that exhibit one or more of the following characteristics:

- Near emerging employment and economic development engines that can serve as a stabilizing influence.
- Developed a cohesive network of community-based and institutional support and have secured and leveraged funding to support their efforts.
- Low to moderate-income areas.

Additional consideration will be given to projects within or adjacent to neighborhoods and corridors identified by the Better Buffalo Fund – Allentown, Broadway, Chippewa Street, East Delevan, Elmwood Village, Grant/Amherst, Grant/Ferry, Hertel, Kaisertown, Lovejoy, Lower Niagara/Lakeview, Main Street, Seneca-Caz, South Park, Tonawanda/Ontario, Upper Niagara Street and Connecticut Street corridors. The City will reassess these areas annually, to respond to new funding opportunities and investments, and to make adjustments if funding opportunities fail to materialize.

Requests for Information

This financial report is designed to provide the citizens, taxpayers and elected officials of the City of Buffalo, New York with a general overview of the City of Buffalo Urban Renewal Agency’s finances and to show the Agency’s accountability for the monies it receives. If you have any questions about this report, or need additional financial information, contact BURA, Room 213 City Hall, Buffalo, New York 14202.

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BASIC FINANCIAL STATEMENTS

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CITY OF BUFFALO URBAN RENEWAL AGENCY
Statement of Net Position
June 30, 2022

	<u>Primary Government Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 3,731,533
Restricted cash and cash equivalents	962,908
Receivables (net of allowance for uncollectibles)	1,150,030
Lease receivable	455,666
Intergovernmental receivables	3,535,158
Prepaid items	16,640
Real estate acquired for resale	3,154,389
Noncurrent net pension asset	507,377
Capital assets, net of accumulated depreciation/amortization	<u>431,756</u>
Total assets	<u>13,945,457</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows—relating to pensions	<u>1,084,460</u>
Total deferred outflows of resources	<u>1,084,460</u>
LIABILITIES	
Accounts payable and accrued expenses	2,861,481
Unearned revenue	500
Noncurrent liabilities:	
Due within one year	36,530
Due within more than one year	<u>9,061,676</u>
Total liabilities	<u>11,960,187</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows—relating to pensions	1,845,770
Deferred inflows—relating to leases	<u>443,092</u>
Total deferred inflows of resources	<u>2,288,862</u>
NET POSITION	
Net investment in capital assets	414,620
Restricted for:	
Capital	11,991
Community development	91,953
Lead Abatement Program	10,628
Section 312 Loan Program	8,754
Rental Rehabilitation Program	1,879
State Housing Grant Program	56,511
Cities RISE Program	746,099
Unrestricted	<u>(561,567)</u>
Total net position	<u>\$ 780,868</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BUFFALO URBAN RENEWAL AGENCY
Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Governmental activities:				
Community development	\$ 53,579,992	\$ 927,169	\$ 53,220,813	\$ 567,990
Interest and other fiscal charges	471	-	-	(471)
Total primary government	\$ 53,580,463	\$ 927,169	\$ 53,220,813	567,519
General revenues:				
Interest income				207,710
Miscellaneous				450,974
Total general revenues				658,684
Change in net position				1,226,203
Net position—beginning, as restated				(445,335)
Net position—ending				\$ 780,868

The notes to the financial statements are an integral part of this statement.

CITY OF BUFFALO URBAN RENEWAL AGENCY
Balance Sheet—Governmental Funds
June 30, 2022

	General	Community Development Block Grant	Community Development Block Grant - COVID	Section 8 Housing Program	HOME Program	Emergency Rent Assistance Program	Total Nonmajor Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 3,731,533	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,731,533
Restricted cash and cash equivalents	104,444	48,186	-	-	2,332	-	807,946	962,908
Receivables (net of allowance for uncollectibles)	1,150,030	-	-	-	-	-	-	1,150,030
Lease receivable	455,666	-	-	-	-	-	-	455,666
Due from other funds	1,854,060	-	-	-	-	-	8,754	1,862,814
Intergovernmental receivables	3,635	668,026	1,269,475	100	801,532	732,692	59,698	3,535,158
Prepaid items	-	-	-	-	-	-	16,640	16,640
Real estate acquired for resale	3,057,016	97,373	-	-	-	-	-	3,154,389
Total assets	<u>\$ 10,356,384</u>	<u>\$ 813,585</u>	<u>\$ 1,269,475</u>	<u>\$ 100</u>	<u>\$ 803,864</u>	<u>\$ 732,692</u>	<u>\$ 893,038</u>	<u>\$ 14,869,138</u>
LIABILITIES								
Accounts payable and accrued expenses	\$ 1,149,425	\$ 425,764	\$ 982,492	\$ -	\$ 178,313	\$ 124,058	\$ 1,429	\$ 2,861,481
Unearned revenue	500	-	-	-	-	-	-	500
Due to other funds	-	290,448	286,983	100	625,551	608,634	51,098	1,862,814
Total liabilities	<u>1,149,925</u>	<u>716,212</u>	<u>1,269,475</u>	<u>100</u>	<u>803,864</u>	<u>732,692</u>	<u>52,527</u>	<u>4,724,795</u>
DEFERRED INFLOWS OF RESOURCES								
Deferred inflows—relating to leases	443,092	-	-	-	-	-	-	443,092
Total deferred inflows of resources	<u>443,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>443,092</u>
FUND BALANCES								
Nonspendable	3,057,016	97,373	-	-	-	-	16,640	3,171,029
Restricted	103,944	-	-	-	-	-	823,871	927,815
Unassigned	5,602,407	-	-	-	-	-	-	5,602,407
Total fund balances	<u>8,763,367</u>	<u>97,373</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>840,511</u>	<u>9,701,251</u>
Total liabilities and fund balances	<u>\$ 10,356,384</u>	<u>\$ 813,585</u>	<u>\$ 1,269,475</u>	<u>\$ 100.00</u>	<u>\$ 803,864</u>	<u>\$ 732,692</u>	<u>\$ 893,038</u>	<u>\$ 14,869,138</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BUFFALO URBAN RENEWAL AGENCY
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
June 30, 2022

Amounts reported for governmental activities in the statement of net position (page 11) are different because:

Total fund balances—governmental funds (page 13)	\$	9,701,251
Net pension assets are not current financial resources and, therefore, are not reported in the funds.		507,377
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of these assets is \$850,025 and the accumulated depreciation/amortization is \$418,269.		431,756
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows related to employer contributions	\$	71,995
Deferred outflows related to experience, changes of assumptions and investment earnings		1,012,465
Deferred inflows of resources related to pension plans		<u>(1,845,770)</u>
		(761,310)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effects of these items are:		
Lease liability	\$	(17,136)
Compensated absences		(273,103)
Other postemployment benefits ("OPEB") obligation		(8,789,545)
Long-term retirement liability		<u>(18,422)</u>
		<u>(9,098,206)</u>
Net position of governmental activities	\$	<u><u>780,868</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF BUFFALO URBAN RENEWAL AGENCY
Statement of Revenues, Expenditures, and Changes in Fund Balances—
Governmental Funds
Year Ended June 30, 2022

	General	Community Development Block Grant	Community Development Block Grant - COVID	Section 8 Housing Program	HOME Program	Emergency Rent Assistance Program	Total Nonmajor Funds	Total Governmental Funds
REVENUES								
Federal grants	\$ -	\$ 5,673,939	\$ 3,239,801	\$ 39,203,065	\$ 3,838,370	\$ -	\$ 121,878	\$ 52,077,053
State grants	270,898	-	-	-	-	872,862	-	1,143,760
Repayment of program loans	11,052	639,631	-	-	162,978	-	1,600	815,261
Rental income	111,908	-	-	-	-	-	-	111,908
Interest income	15,044	93,929	-	-	98,737	-	-	207,710
Miscellaneous	435,281	7,475	-	-	-	-	8,218	450,974
Total revenues	<u>844,183</u>	<u>6,414,974</u>	<u>3,239,801</u>	<u>39,203,065</u>	<u>4,100,085</u>	<u>872,862</u>	<u>131,696</u>	<u>54,806,666</u>
EXPENDITURES								
Public services and human service programs	-	599,894	-	39,203,065	-	-	-	39,802,959
Rehabilitation and preservation activities, including grants and loans	7,500	3,500,697	-	-	3,704,964	-	126,878	7,340,039
Economic development activities, including grants and loans	-	10,342	-	-	-	-	-	10,342
Planning, management, and administration	615,402	2,268,084	3,239,801	-	401,053	872,862	191,610	7,588,812
Debt service:								
Principal	5,450	-	-	-	-	-	-	5,450
Interest	471	-	-	-	-	-	-	471
Total expenditures	<u>628,823</u>	<u>6,379,017</u>	<u>3,239,801</u>	<u>39,203,065</u>	<u>4,106,017</u>	<u>872,862</u>	<u>318,488</u>	<u>54,748,073</u>
Excess (deficiency) of revenues over expenditures	<u>215,360</u>	<u>35,957</u>	<u>-</u>	<u>-</u>	<u>(5,932)</u>	<u>-</u>	<u>(186,792)</u>	<u>58,593</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	35,957	-	-	-	5,932	-	-	41,889
Transfers out	(5,932)	(35,957)	-	-	-	-	-	(41,889)
Leases issued	22,586	-	-	-	-	-	-	22,586
Total other financing sources (uses)	<u>52,611</u>	<u>(35,957)</u>	<u>-</u>	<u>-</u>	<u>5,932</u>	<u>-</u>	<u>-</u>	<u>22,586</u>
Net change in fund balances	267,971	-	-	-	-	-	(186,792)	81,179
Fund balances—beginning	8,495,396	97,373	-	-	-	-	1,027,303	9,620,072
Fund balances—ending	<u>\$ 8,763,367</u>	<u>\$ 97,373</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 840,511</u>	<u>\$ 9,701,251</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BUFFALO URBAN RENEWAL AGENCY
Reconciliation of Statement of Revenues, Expenditures, and Changes in
Fund Balances—Governmental Funds to the Government-wide Statement of Activities
Year Ended June 30, 2022

Amounts reported for governmental activities in the statement of activities (page 12) are different because:

Net change in fund balances—total governmental funds (page 15)	\$	81,179
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.

Capital asset additions	\$ 55,436		
Depreciation/amortization expense	<u>(28,792)</u>		26,644

Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:

Agency pension contributions	\$ 314,610		
Cost of benefits earned net of employee contributions	<u>(64,729)</u>		249,881

The issuance of long-term debt provides current financial resources to governmental funds, while the payment of long-term liabilities consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term liabilities is as follows:

Leases issued	\$ (22,586)		
Repayment of leases	5,450		
Change in compensated absences	(6,358)		
Change in OPEB obligation	873,571		
Change in long-term retirement liability	<u>18,422</u>		<u>868,499</u>

Change in net position of governmental activities	\$	<u><u>1,226,203</u></u>
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The notes to the financial statements are an integral part of this statement.

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CITY OF BUFFALO URBAN RENEWAL AGENCY
Notes to the Financial Statements
Year Ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Buffalo Urban Renewal Agency (the “Agency”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Agency’s accounting policies are described below.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all activities of the Agency. *Governmental activities*, which are normally supported by various economic and neighborhood development projects, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable. The Agency reports no business-type activities or component units.

Reporting Entity

The Agency is a public benefit corporation, which was formed by an act of New York State Legislature in 1966. Its corporate purpose includes the general planning and operation of various urban renewal programs designed to prevent or eliminate blight and deterioration in the Buffalo, New York (the “City”) urban area. Such programs include real estate acquisition and clearance; relocation of businesses and individuals displaced by urban renewal activities; design and construction of site improvements and public facilities; provision of grants and loans to facilitate rehabilitation of residential and business properties, and other programs designated to stimulate urban economic growth and to revitalize urban neighborhoods.

As required by the legislation which created the entity, the Agency’s members consist chiefly of City governmental officials. Most of the funding for the various programs conducted by the Agency is obtained from the Federal government, through the City. In effect, the Agency acts as an agent of the City in carrying out its urban renewal activities. Because of its close administrative and financial relationship with the City, the Agency is considered to be a component unit of the City for financial reporting purposes, and the financial information presented herein for the Agency alone is to be presented within the City’s basic financial statements as of June 30, 2022 and for the year then ended.

Excluded from the Financial Reporting Entity—Although the following are related to the Agency, they are not included in the Agency reporting entity:

BURA Inc. (the “Corporation”)—The Corporation’s mission and public objective shall include the lessening of the burdens of government and fostering the creating, retention and expansion of jobs and economic opportunities for the benefit of the City of Buffalo, New York and local economies. As provided in Section 1411 of the Not-For-Profit Corporation Law, the Corporation

is a charitable corporation as defined in Section 201 of the Not-For-Profit Corporation Law, and it is formed and operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Current members of the Board of Directors of the Corporation are related to the Agency as five out of six work, or are on the Board, for the Agency. However, the Agency cannot impose will upon the BURA Inc. nor is there a financial benefit/burden relationship with the Agency to require it to be presented as a component unit of the Agency.

Subrecipient Agreements

During the year ended June 30, 2022, the City and the Agency entered into subrecipient agreements (“the Agreements”) regarding the Community Development Block Grants (“CDBG”), and Home Investment Partnerships Program (“HOME”).

The Agreements, as amended, generally require the Agency to administer and provide planning, administration and implementation services for the Programs. They also require the Agency to remit program income generated by the Programs to the City on a periodic basis. During the year ended June 30, 2022, the Agency remitted a total of \$1,258,553 of program income to the City. The agreements, as amended, expire on September 30, 2022.

Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments and charges between the Agency’s various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the Agency’s funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Agency reports the following major governmental funds:

- *General Fund*—This fund constitutes the primary operating fund of the Agency and includes all operations not required to be recorded in other funds. Included in the Agency’s General Fund are proceeds from previously closed out grant programs. The General Fund receives some state funding provided to the Agency, but is primarily comprised of non-federal dollars that are used to handle day to day operations. Some deferred loans received from the City are also set up in the General Fund.
- *Community Development Block Grant (“CDBG”) Fund*—The CDBG Fund is used to account for monies received from the federal government under the Community Development Block Grant program for the administration and delivery of decent housing and a suitable living environment; and, expanded economic opportunities principally for persons of low and moderate income.

- *Community Development Block Grant (“CDBG”) - COVID Fund*—The CDBG - COVID Fund is used to account for additional monies received from the federal government under the Community Development Block Grant program for the administration and delivery of decent housing and a suitable living environment; and, expanded economic opportunities principally for persons of low and moderate income due to the COVID-19 pandemic.
- *Section 8 Housing Program Fund*—The Section 8 Housing Program Fund is used to account for monies received from the federal government under the U.S. Department of Housing and Urban Development (“HUD”) Section 8 program. Such monies are passed through to the Rental Assistance Corporation of Buffalo (“RACB”) and to the Buffalo Municipal Housing Authority (“BMHA”). The program’s primary goal is to provide a decent home in a suitable housing environment for families that cannot afford standard private housing.
- *Home Ownership Made Easy (“HOME”) Program Fund*—The HOME Program Fund is used to account for federal grant funds that flow from HUD through the City to the Agency. This funding is used primarily for projects that are larger than the projects performed under CDBG. The grant provides program income.
- *Emergency Rent Assistance Program Fund*—The Emergency Rent Assistance Program is used to record all revenues and expenditures related to the operation and maintenance of the program. The principal source of revenue for the Emergency Rent Assistance Program is New York State grant revenue that was awarded to the City of Buffalo.

BURA also reports the following nonmajor governmental funds:

- *Lead Abatement Program*—The Lead Abatement Program is used to record all revenues and expenditures related to the operation and maintenance of the program. The principal source of revenue for the Lead Abatement Program is repayment of program loans.
- *Lead Hazard Program*—The Lead Hazard Program is used to record all revenues and expenditures related to the operation and maintenance of the program. The principal source of revenue for the Lead Hazard Program is repayment of program loans.
- *Section 312 Loan Program*—The Section 312 Loan Program is used to record all revenues and expenditures related to the operation and maintenance of the program. The principal source of revenue for the Section 312 Loan Program is repayment of program loans.
- *Rental Rehabilitation Program*—The Rental Rehabilitation Program is used to record all revenues and expenditures related to the operation and maintenance of the program. The principal source of revenue for the Rental Rehabilitation Program is repayment of program loans.

- *State Housing Grant Program*—The State Housing Grant Program is used to record all revenues and expenditures related to the operation and maintenance of the program. The principal source of revenue for the State Housing Grant Program is administrative fees.
- *Cities Responsible Investment and Strategic Enforcement (“RISE”) Program*—The Cities RISE Program is used to record all revenues and expenditures related to the operation and maintenance of the program. The principal source of revenue for the Cities RISE is repayment of program loans.

During the course of operations the Agency has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reporting in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from federal, state or other grants designated for specific Agency expenditures are recognized when the related expenditures are incurred. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, and pensions, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Charges for services provided and state and federal aid associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period or within the period of availability. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and the amount is received during the period of availability. All other revenue items are considered to be measureable and available when cash is received by the Agency.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash, Cash Equivalents and Investments—The Agency’s cash and cash equivalents consist of cash on hand or demand deposits. New York State law governs the Agency’s investment policies. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. The Agency had no investments at June 30, 2022; however, when the Agency does have investments they are recorded in accordance with GASB.

Restricted Cash and Cash Equivalents—Represents cash held in escrow, overpayments for health insurance, and grant funds held prior to disbursement of approved expenditures.

Receivables—Receivables are stated net of estimated allowances for uncollectable amounts. Amounts due from state and federal governments represent amounts owed to the Agency to reimburse it for expenditures incurred pursuant to state and federally funded programs.

Prepaid Items— Certain payments to vendors or other governments reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expense/expenditures when consumed rather than when purchased.

Real Estate Acquired for Resale—In the course of conducting its urban renewal activities, the Agency acquires real property for use in future urban renewal projects. The value recorded for this property is established by its acquisition cost and additional cost of improvements made on the property until the asset is ready for sale. When the property is ready for sale, market value can be established. During the year ended June 30, 2022, the Agency did not acquire or sell any property.

Capital Assets—Capital assets, which include buildings, equipment and vehicles, and right-to-use leased equipment are reported in the government-wide financial statements. Capital assets are defined as assets with an initial cost of more than \$5,000 and an estimated useful life exceeding five years. Assets are recorded at historical cost or estimated historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at estimated fair market value of the item at the date of donation. Right-to-use leased equipment are initially measured as the initial amount of the leased liability, adjusted for lease payments made at or before the lease commencement date, plus certain direct costs and are amortized on a straight line basis over their useful lives. These capital assets are depreciated/amortized using the straight-line method over the estimated useful lives on the following page.

<u>Capital assets</u>	<u>Years</u>
Buildings	40
Equipment	5-8
Vehicles	5
Right-to-use leased equipment	5

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2022, the Agency has one item that qualifies for reporting in this category. This item, reported on the government-wide financial statements, represents the effect of the net change in the Agency’s proportion of the collective net pension liability, the difference during the measurement period between the Agency’s contributions and its proportionate share of the total contribution to the pension system not included in the pension expense, and any contributions to the pension system made subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At June 30, 2022, the Agency has two items that qualify for reporting in this category. The first item, reported on the government-wide financial statements, represents the effect of the net change in the Agency’s proportion of the collective net pension liability/(asset) and the difference during the measurement periods between the Agency’s contributions and its proportionate share of total contributions to the pension system not included in pension expense and is reported on the government-wide statements. The second item, reported on the government-wide statements and on the balance sheet of governmental funds, is recognized at the commencement of the Agency’s lease receivable and amortized over the life of the lease.

Net Position Flow Assumptions—Sometimes the Agency will fund outlays for a particular purpose from both restricted (e.g., restricted grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Agency’s policy to consider restricted-net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions—Sometimes the Agency will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Agency’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The

Agency itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purpose determined by a formal action of the Agency's highest level of decision-making authority. The Board is the highest level of decision-making authority for the Agency that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. There are no commitments at June 30, 2022.

Amounts in the assigned fund balance classification are intended to be used by the Agency for specific purposes, but do not meet the criteria to be classified as committed. The Agency may authorize the Agency's Financial Control of Agencies to assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Leases—The Agency is contracted with other entities which qualify as lessor and lessee relationships. Amounts within lease receivable include property in which the Agency rents out to other entities. Amounts within the lease liability includes equipment that the Agency makes monthly payments to another entity. Additional information regarding leases is discussed in Note 10.

Revenues and Expenses/Expenditures

Program Revenues—Amounts reported as program revenues include grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All internally dedicated resources are reported as general revenues rather than as program revenues.

Miscellaneous Revenues—Amounts reported as miscellaneous revenues within the General Fund, CDBG Fund, HOME Program and State Housing Grant Program include administrative fees received from various home loan recipients for discharging liens on individual properties.

Compensated Absences—The Agency's labor agreement and Agency rules and regulations provide for sick leave, vacations, and personal paid absences based upon length of service and job classification. Unused vacation leave accumulates up to a maximum number of days based upon length of service and is payable upon termination. Unused sick leave accumulates, but may be used to compensate for actual time off for medical or other defined reasons. Upon retirement, it is the Agency's policy to compensate for unused accumulated sick pay on a reduced basis. These payments are budgeted annually without accrual. Payment of compensated absences recorded in the government-wide financial statements is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of compensated absences when such payments become due.

Pension Plan—The Agency is mandated by New York State law to participate in the New York State Local Employees' Retirement System ("ERS"). For purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plan, and changes thereof, have been determined on the same basis as they are reported by the defined benefit pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 7.

Other Postemployment Benefits—In addition to providing pension benefits, the Agency provides health insurance coverage and/or payments for fractional values of unused sick leave for certain retired employees at the time of retirement as discussed in Note 8.

Other

Estimates—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues, expenditures, assets, liabilities, deferred outflows/inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements during the reported period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended June 30, 2022, the Agency implemented GASB Statement No. 87, *Leases*; No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; No. 91, *Conduit Debt Obligations*; and No. 98, *The Annual Comprehensive Financial Report*. GASB Statement No. 87 better meets the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 89 enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for certain interest costs. GASB Statement No. 91 clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 98 establishes the term annual comprehensive financial report and its acronym ACFR, which replaces the acronym for comprehensive annual financial report. The implementation of GASB Statements No. 87, 89, 91, and 98 did not have a material impact on the Agency’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—The Agency has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; No. 96, *Subscription-Based Information Technology Arrangements*; and a portion of No. 99, *Omnibus 2022*, effective for the year ending June 30, 2023, and the remainder of No. 99, *Omnibus 2022*; and No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, effective for the year ending June 30, 2024, and No. 101, *Compensated Absences*, effective for the year ending June 30, 2025. The Agency is, therefore, unable to disclose the impact that adopting GASB Statements No. 94, 96, 99, 100, and 101 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

Budgetary Information

Budgetary Basis of Accounting for Special Revenue Funds—The Agency follows specified procedures in establishing budgetary controls over its revenues and expenditures. These controls relate solely to the CDBG, CDBG – COVID, Section 8 Housing, HOME, and Emergency Rent Assistance grant programs, which are funded annually by the U.S. Department of Housing and Urban Development (“HUD”) under Metropolitan Entitlement grants. Expenditures for these

programs are budgeted over the entitlement program year which commences on October 1 and ends on September 30 of the following year.

Appropriations of funds do not lapse at the close of the program year, but remain available for expenditure until the budgeted projects are completed, at which any unexpended funds may be reprogrammed in accordance with HUD guidelines. The following outlines the budgetary process for these entitlement funds:

- An allocation plan is developed annually by the Office of Strategic Planning (“OSP”) of the City, taking into consideration citizens’ comments received at a public hearing.
- An annual allocation plan is presented by the Mayor of the City to the City’s of Common Council (the “Common Council”) approximately sixty days prior to the commencement of the program year.
- The Common Council holds additional public hearings and considers the proposed allocation plan, and provides advisory comments to the Mayor.
- Upon approval of the annual allocation plan by the Mayor, the plan is approved by the Agency Board. An application based on the plan is submitted to HUD approximately forty-five days prior to the commencement of the program year. HUD then forwards entitlement grant contracts to the City for execution by the City.
- The detailed budget for the various projects and for the administrative costs of the program is prepared by OSP in conjunction with other City departments affected.
- The administrative budget is submitted annually to the members of the Agency for approval.
- Contracts for work on individual HOME projects are approved separately by the members of the Agency at regular and special meetings held throughout the year.
- Budgeted amounts and contract encumbrances are recorded and integrated with the program expenditure records as a management control device.
- Budgets for the entitlement programs do not expire at the end of the fiscal year but continue in force until all grant funds are expended, or the grant regulatory period expires, whichever comes first.
- Budgets for projects funded by sources other than HUD entitlement grants are generally an integral part of the respective grant contracts and are processed internally by management.

Because the Agency’s HUD budgets are programmatic and are designed to cover several fiscal years, a fiscal period budgetary comparison has not been included in the general-purpose financial statements at June 30, 2022.

The General Fund budget is compiled during the months of April and May including the input of the Commissioner of Administration, Finance, Policy and Urban Affairs. Once the budget is compiled it is then presented to the Buffalo Fiscal Stability Board along with the Agency’s four year plan for their review. The budget must be finalized by July 1. The General Fund budget acts as a management tool and formal approval of the budget is not required.

2. RESTATEMENT OF NET POSITION

During the year ended June 30, 2022, the Agency reviewed assumption data utilized in previous actuarial valuations and determined that the estimated OPEB liability at June 30, 2021 was overstated by \$19,190,042.

The effects of the restatement to the Agency's governmental activities is summarized as follows:

	Governmental Activities
Net position—June 30, 2021, as previously stated	\$ (19,635,377)
OPEB adjustment	<u>(19,190,042)</u>
Net position—June 30, 2021, as restated	<u>\$ (445,335)</u>

3. CASH AND CASH EQUIVALENTS

The Agency's investment policies are governed by State statutes. Agency monies must be deposited in FDIC-insured commercial banks or trust companies located within New York State. The Agency's Fiscal Control of Agencies is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposits, time deposits and certificates of deposit at 100 percent of all deposits not covered by Federal deposit insurance. The Agency has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York. Cash and cash equivalents reported by the Agency at June 30, 2022, are shown below:

	Governmental Activities
Total deposits	<u>\$ 4,694,441</u>

Deposits—All deposits are carried at fair value, and are classified by custodial credit risk at June 30, 2022 as shown below:

	Bank Balance	Carrying Amount
FDIC insured	\$ 500,000	\$ 500,000
Uninsured:		
Collateral held by bank's agent in the Agency's name	<u>4,558,094</u>	<u>4,194,441</u>
Total	<u>\$ 5,058,094</u>	<u>\$ 4,694,441</u>

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of June 30, 2022, the Agency's deposits were FDIC insured or collateralized with securities held by the pledging bank's agent in the Agency's name.

Restricted Cash and Cash Equivalents—The Agency reports restricted cash in the Agency’s General Fund for funds held in escrow and overpayments for health insurance. Restricted cash reported in governmental funds other than the General Fund consists of grant funds held prior to disbursement of approved expenditures. At June 30, 2022, the Agency reported \$962,908 of restricted cash within its governmental funds.

4. RECEIVABLES

Major revenues accrued by the Agency at June 30, 2022 consisted of the following:

	General	Community Development Block Grant	HOME Program	Nonmajor Governmental Funds	Total
Program loans receivable	\$ -	\$ 23,510,686	\$ 70,014,581	\$ 159,496	\$ 93,684,763
Notes receivable	1,908,739	-	-	-	1,908,739
Allowance for uncollectibles	(758,709)	(23,510,686)	(70,014,581)	(159,496)	(94,443,472)
Total	<u>\$ 1,150,030</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,150,030</u>

Program Loans Receivable—Represents program loans and interest due to the Agency of \$93,684,763, which are entirely allowed for.

Notes Receivable—Represents amounts due from various sources for projects designed to stimulate economic development and housing improvements in the City, provided net of allowances for uncollectible accounts. The Agency reports amounts of \$1,908,739, which are allowed for in the amount of \$758,709.

Intergovernmental Receivables—Represent amounts due from other units of government, such as federal government. Intergovernmental receivables at June 30, 2022 consisted of the following:

	General	Community Development Block Grant	Community Development Block Grant - COVID	Section 8 Housing Program	HOME Program	Emergency Rent Assistance Program	Nonmajor Governmental Funds	Total
Due from federal government	\$ 3,635	\$ 668,026	\$ 1,269,475	\$ 100	\$ 801,532	\$ -	\$ 10,628	\$ 2,753,396
Due from City of Buffalo	-	-	-	-	-	732,692	49,070	781,762
Total intergovernmental receivables	<u>\$ 3,635</u>	<u>\$ 668,026</u>	<u>\$ 1,269,475</u>	<u>\$ 100</u>	<u>\$ 801,532</u>	<u>\$ 732,692</u>	<u>\$ 59,698</u>	<u>\$ 3,535,158</u>

5. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2022 was as follows:

	Balance 7/1/2021	Increases	Decreases	Balance 6/30/2022
Capital assets, being depreciated/amortized:				
Buildings	\$ 772,054	\$ -	\$ -	\$ 772,054
Equipment	22,535	32,850	-	55,385
Right-to-use leased equipment	-	22,586	-	22,586
Total capital assets, being depreciated/amortized	<u>794,589</u>	<u>55,436</u>	<u>-</u>	<u>850,025</u>
Less accumulated depreciation/amortization for:				
Buildings	366,942	19,313	-	386,255
Equipment	22,535	3,833	-	26,368
Right-to-use leased equipment	-	5,646	-	5,646
Total accumulated depreciation/amortization	<u>389,477</u>	<u>28,792</u>	<u>-</u>	<u>418,269</u>
Governmental activities capital assets, net	<u>\$ 405,112</u>	<u>\$ 26,644</u>	<u>\$ -</u>	<u>\$ 431,756</u>

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses reported by governmental funds at June 30, 2022 were as follows:

	General	Community Development Block Grant	Community Development Block Grant - COVID	HOME Program	Emergency Rent Assistance Program	Nonmajor Governmental Funds	Total
Salaries and employee benefits	\$ 73,770	\$ 29,456	\$ 2,875	\$ 116	\$ -	\$ 699	\$ 106,916
Accounts payable and other liabilities	1,075,655	396,308	979,617	178,197	124,058	730	2,754,565
Total	<u>\$ 1,149,425</u>	<u>\$ 425,764</u>	<u>\$ 982,492</u>	<u>\$ 178,313</u>	<u>\$ 124,058</u>	<u>\$ 1,429</u>	<u>\$ 2,861,481</u>

7. PENSION PLAN

Plan Description and Benefits Provided

Employees' Retirement System ("ERS")—The Agency participates in the New York State and Local Employees' Retirement System ("ERS"). This is a cost-sharing multiple-employer retirement system. ERS provides retirement benefits as well as death and disability benefits. The net position of ERS is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net assets and record changes in plan net position allocated to ERS. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of ERS. ERS benefits are established under the provisions of the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Agency also participates in the Public Employees' Group Life Insurance Plan ("GLIP"), which provides death benefits in the form of life insurance. ERS is included in the State's financial report as a pension trust fund. That report, including information

with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

ERS is noncontributory except for employees who joined after July 27, 1976, who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute three percent (3.0%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

Pension Liability/(Asset), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—The net pension liability/(asset) was measured as of March 31, 2022. The total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of April 1, 2021, with update procedures used to roll forward the total pension liability/(asset) to the measurement date. The Agency's proportion of the net pension (asset) was based on a projection of the Agency's long-term share of contributions to ERS relative to the projected contributions of all participating members, actuarially determined. The information in the table below was provided by the ERS in reports provided to the Agency.

	<u>ERS</u>
Measurement date	March 31, 2022
Net pension liability/(asset)	\$ (507,377)
Agency's portion of the Plan's total net pension liability/(asset)	0.0062068%

For the year ended June 30, 2022, the Agency recognized a pension expense of \$23,750 for the ERS. At June 30, 2022, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources as shown below:

	<u>ERS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ 38,424	\$ 49,839
Changes of assumptions	846,756	14,288
Net difference between projected and actual earnings on pension plan investments	-	1,661,448
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions	127,285	120,195
Agency contributions subsequent to the measurement date	<u>71,995</u>	<u>-</u>
Total	<u>\$ 1,084,460</u>	<u>\$ 1,845,770</u>

Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/(asset) in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>ERS</u>
2023	\$ (128,257)
2024	(185,789)
2025	(444,008)
2026	(75,251)

Actuarial Assumptions—The total pension liability/(asset) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability/(asset) to the measurement date. The actuarial valuations used the actuarial assumptions presented below.

	<u>ERS</u>
Measurement date	March 31, 2022
Actuarial valuation date	April 1, 2021
Interest rate	5.9%
Salary scale	4.4%
Decrement tables	April 1, 2015 - March 31, 2020
Inflation rate	2.7%
Cost-of-living adjustments	1.4%

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2020. The actuarial assumptions used in the April 1, 2021 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation for ERS are summarized on the following page.

Measurement date	ERS	
	Target Allocation	Long-Term Expected Real Rate of Return
	March 31, 2022	
Asset class:		
Domestic equities	32.0 %	3.3 %
International equities	15.0	5.9
Private equity	10.0	6.5
Real estate	9.0	5.0
Opportunistic/Absolute return strategy	3.0	4.1
Credit	4.0	3.8
Real assets	3.0	5.6
Fixed income	23.0	0.0
Cash	1.0	(1.0)
Total	<u>100.0 %</u>	

Discount Rate—The discount rate used to calculate the total pension liability was 5.9%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, ERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability/(asset).

Sensitivity of the Proportionate Share of the Net Pension Liability/(Asset) to the Discount Rate Assumption—The chart below presents the Agency's proportionate share of the net pension liability/(asset) calculated using the discount rate of 5.9%, as well as what the Agency's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage-point lower (4.9%) or one percentage-point higher (6.9%) than the current assumption.

ERS	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's proportionate share of the net pension liability/(asset)	\$ 1,305,984	\$ (507,377)	\$ (2,024,167)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liability of the employers as of the valuation date are shown below.

	(Dollars in Thousands)	
	ERS	
Valuation date	April 1, 2021	
Employers' total pension liability	\$	223,874,888
Plan fiduciary net position		<u>232,049,473</u>
Employers' net pension liability/(asset)	\$	<u>(8,174,585)</u>
System fiduciary net position as a percentage of total pension liability/(asset)		103.7%

Payables to the Pension Plan—Employer contributions are paid annually based on ERS’ fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2022 represent the projected employer contribution for the period of April 1, 2022 through June 30, 2022 based on paid ERS wages multiplied by the employer’s contribution rate, by tier. Accrued retirement contributions as of June 30, 2022 amounted to \$71,995.

8. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

Plan Description—In addition to pension benefits, the Agency provides continuation of medical insurance coverage to employees that retire under the New York State and Local Employees’ Retirement System at the same time they end their service to the Agency. Based on the collective bargaining agreement, the retiree and his or her beneficiaries receive this coverage for the life of the retiree. Health care benefits for non-union employees are similar to those of union employees. The retiree’s share of premium cost range from 0%-25%, depending on the employee hire date.

Employees Covered by Benefit Terms—At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	41
Active employees	<u>28</u>
Total	<u><u>69</u></u>

Under GASB Statement No. 75, the total OPEB liability represents the sum of expected future benefit payments which may be attributed to past service (or “earned”), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability (“AAL”) under GASB Statement No. 45.

Total OPEB Liability

The Agency’s total OPEB liability of \$8,789,545 was measured as of June 30, 2022, and was determined by an actuarial valuation as of the same date.

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of the valuation and on the pattern of cost sharing between the employer and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the June 30, 2022 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a valuation date of June 30, 2022. The discount rate used was 3.00%, compared to 2.18% in the prior year. Mortality rates are based on the Pub-2010 Public Retirement Plans Mortality Tables. The 2021 New York State Employees Retirement System rates were used for turnover and retirement rates. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 5.70% for medical, while the ultimate healthcare cost trend rate is 5.20%.

Changes in the Total OPEB Liability—The table on the following page presents the changes to the total OPEB liability during the fiscal year, by source.

	Total OPEB Liability
Balance at June 30, 2021, as restated:	<u>\$ 9,663,116</u>
Changes for the year:	
Service cost	163,869
Interest	209,880
Effect of economic/demographic gains or losses	(12,099)
Change of assumptions	(834,171)
Benefit payments	<u>(401,050)</u>
Net changes	<u>(873,571)</u>
Balance at June 30, 2022	<u>\$ 8,789,545</u>

Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate—The discount rate assumption can have an impact on the total OPEB liability. The following table presents the effect a 1% change in the discount rate assumption would have on the total OPEB liability:

	1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
Total OPEB liability	\$ 9,825,672	\$ 8,789,545	\$ 7,897,491

Additionally, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the total OPEB liability of a 1% change in the initial (5.70%) and ultimate (5.20%) healthcare cost trend rates:

	1% Decrease (4.70% / 4.20%)	Healthcare Cost Trend Rates (5.70% / 5.20%)	1% Decrease (6.70% / 6.20%)
Total OPEB liability	\$ 7,925,970	\$ 8,789,545	\$ 9,796,524

Funding Policy—Authorization for the Agency to pay a portion of retiree health insurance premiums was enacted through various union contracts as specified above, which were ratified by the Agency’s Board. The Agency’s contributions to the OPEB plan are based on the negotiated contracts with the bargaining unit, as discussed in Note 14. Any amendments to the employer’s contributions are subject to the collective bargaining agreements. The Agency recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. The Agency’s governmental activities contributed \$401,050 for the fiscal year ended June 30, 2022.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The Agency may report deferred outflows of resources and deferred inflows of resources due to differences during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective OPEB liability are required to be determined. As of June 30, 2022, the Agency reported no deferred outflows of resources or deferred inflows of resources related to OPEB.

9. RISK MANAGEMENT

The Agency is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, vehicle liability, injuries to employees, health insurance, unemployment insurance, natural disasters, and inland marine coverage. These risks are covered by commercial insurance purchased from independent third parties. There have not been any settlements which have exceeded commercial insurance coverage in the past three fiscal years. The Agency purchases insurance for: commercial property coverage, commercial general liability coverage, commercial automotive coverage and commercial crime coverage. Property insurance is limited based on scheduled locations. The general liability insurance is limited to \$1 million per occurrence, with a \$2 million annual aggregate limit. Business automobile insurance is limited to \$1 million per accident. Crime coverage is limited to \$1 million per occurrence. Umbrella insurance is \$4 million per occurrence and in the aggregate.

10. LEASES

Lease Receivable—The Agency is a lessor for a noncancellable lease of a building. The Agency recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the Agency initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Agency determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Agency uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Agency monitors changes in circumstances that would require a measurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

The Agency leases real property for the premises commonly known as 450 Exchange Street to a third party. The lease has eighteen years remaining and the Agency will receive monthly payments ranging from \$2,250 to \$3,250. The Agency recognized \$39,574 in rental income during the current fiscal year related to this lease. As of June 30, 2022, the Agency's receivable for lease payments was \$455,666. Also, the Agency reports a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the deferred inflow of resources was \$443,092.

Lease Payable—The Agency is a lessee for a noncancellable lease of copier equipment. The Agency recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The Agency recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the Agency initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Agency determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Agency uses the interest rates charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Agency generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease terms include the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Agency is reasonably certain to exercise.

The Agency monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

The Agency entered into long-term lease agreements as the lessee for the acquisition and use of copier equipment. As of June 30, 2022, the value of the lease liability was \$17,136. The Agency is required to make annual principal and interest payments on the equipment ranging from \$3,552 to \$4,736. The lease has an interest rate of 1.88%. The value of the right-to-use assets as of the end of the current fiscal year was \$22,586 and had accumulated amortization of \$5,646.

The future principal and interest payments as of June 30, 2022, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 4,453	\$ 283	\$ 4,736
2024	4,537	199	4,736
2025	4,623	113	4,736
2026	3,523	28	3,551
Totals	<u>\$ 17,136</u>	<u>\$ 623</u>	<u>\$ 17,759</u>

11. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as noncurrent liabilities in the statement of net position.

The Agency’s outstanding long-term liabilities include leases, compensated absences, other postemployment benefits (“OPEB”) obligation, long-term retirement liability, and net pension liability.

A summary of changes in the Agency’s long-term liabilities for the year ended June 30, 2022 follows:

	Balance 7/1/2021 (as restated)	Additions	Reductions	Balance 6/30/2022	Due Within One Year
Lease liability	\$ -	\$ 22,586	\$ 5,450	\$ 17,136	\$ 4,453
Compensated absences	266,745	77,535	71,177	273,103	13,655
OPEB obligation	9,663,116	373,749	1,247,320	8,789,545	-
Long-term retirement liability	36,844	-	18,422	18,422	18,422
Net pension liability *	5,405	-	5,405	-	-
Total	<u>\$ 9,972,110</u>	<u>\$ 473,870</u>	<u>\$ 1,347,774</u>	<u>\$ 9,098,206</u>	<u>\$ 36,530</u>

(*Reductions to the net pension liability are shown net of additions.)

Lease Liability—The Agency entered into long-term capital lease for copier equipment. The outstanding balance at June 30, 2022 was \$17,136. Refer to Note 10 for additional information related to the Agency’s lease.

Compensated Absences—As explained in Note 1, the Agency records the value of compensated absences in the government-wide financial statements. The annual budgets of the operating funds provide funding for these benefits as they become payable. The value recorded in the government-wide financial statements at June 30, 2022, for governmental activities is \$273,103. Management estimates that \$13,655 is due within one year. Since payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable.

OPEB Obligation—As explained in Note 8, the Agency provides health insurance coverage for certain retirees. The Agency’s annual other postemployment benefits (“OPEB”) cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB. The Agency’s estimated long-term OPEB obligation is \$8,789,545 as of June 30, 2022.

Long-Term Retirement Liability—As explained in Note 7, the Agency participates in the New York State and Local Employees’ Retirement System (“ERS”). The Agency elected to amortize certain payments relating to ERS during 2011 and 2013 over ten years in accordance with Chapter 260 of the Laws of 2004 of the State of New York. Accordingly, at June 30, 2022, the Agency has recorded a liability in the amount of \$18,422, all of which is considered due within one year.

12. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- ***Net Investment in Capital Assets***—This category groups all capital assets into one component of net position. Accumulated depreciation/amortization and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. The investment is equal to the Agency’s book value of capital assets less the lease liability for a total of \$414,620 at June 30, 2022.
- ***Restricted Net Position***—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation. Restricted net position at June 30, 2022 consists of \$11,991 restricted for future capital costs, \$91,953 for community development, \$10,628 restricted for Lead Abatement Program, \$8,754 restricted for the Section 312 Loan Program, \$1,879 restricted for the Rental Rehabilitation Program, \$56,511 restricted for the State Housing Grant Program, and \$746,099 for the Cities RISE Program.
- ***Unrestricted Net Position***—This category represents net position of the Agency not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the Agency at June 30, 2022 included the following:

- ***Prepaid Items***—Represents the portion of fund balance composed of prepaid expenses that are applicable to future accounting periods.
- ***Real Estate Acquired for Resale***—Represents the portion of fund balance composed of properties which have been acquired for resale.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as creditors, grantors, contributors, or laws and regulations of other governments) through constitutional provisions or enabling legislation. At June 30, 2022, restricted fund balance is the same as previously discussed within restricted net position.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the Agency’s highest level of decision-making authority. As of June 30, 2022, the Agency reported no committed fund balance.

In the fund financial statements, assignments are not legally required segregations, but are segregated for a specific purpose. As of June 30, 2022, the Agency reported no assigned fund balance.

If the Agency must use funds for emergency expenditures the Agency shall authorize the Agency’s Financial Control of Agencies to expend funds first from funds classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds as classified by GASB will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available, the Agency will use unassigned fund balance.

13. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of June 30, 2022 is presented below:

Fund	Interfund	
	Receivables	Payables
General	\$ 1,854,060	\$ -
Community Development Block Grant	-	290,448
Community Development Block Grant–COVID	-	286,983
Section 8 Housing Program	-	100
HOME Program	-	625,551
Emergency Rent Assistance Program	-	608,634
Nonmajor governmental funds	8,754	51,098
Total	<u>\$ 1,862,814</u>	<u>\$ 1,862,814</u>

These outstanding interfund balances result from payments made on behalf of other funds or temporary advances. All of these balances are expected to be collected/paid within the subsequent year.

Additionally, the Agency made interfund transfers during the year for the closeout of certain programs. Interfund transfers are annual events for the accounting process and are necessary to present funds in their proper fund classification. The interfund transfers activity for the year ended June 30, 2022 is presented below:

Fund	Interfund	
	Transfers In	Transfers Out
General	\$ 35,957	\$ 5,932
Community Development Block Grant	-	35,957
HOME Program	5,932	-
Total	<u>\$ 41,889</u>	<u>\$ 41,889</u>

14. LABOR CONTRACTS

Agency employees are represented by one bargaining unit, the Civil Service Employee Association, Inc. This contract is negotiated through June 30, 2026.

15. RELATED PARTY TRANSACTIONS

The Agency is a component unit of the City of Buffalo, New York. The City is the primary sponsor of the programs conducted by the Agency and is a nominal recipient of most of the Agency’s federal and state funding. The Agency is a related entity to the City and the Buffalo Neighborhood Revitalization Corporation (“BNRC”).

In the past, BNRC received loans or grants from BURA under the CDBG program, the Section 108 Loan program, as well as various New York State grant programs. In turn, loan or grants were utilized to qualifying individuals and businesses for purposes of property rehabilitation, home acquisitions for low income individuals, or business development and expansion.

For the year ended June 30, 2022, no loans or grants were provided by BURA to BNRC. Under subrecipient agreements with BNRC, certain program income (such as loan repayments and interest) earned through the CDBG program may generally be retained as supplemental BURA funding, subject to applicable Federal regulations. The subrecipient agreements with these entities also provide that, upon termination of the subrecipient agreements, all unused program income, and any CDBG assets held by BNRC will revert to BURA.

For the year ended June 30, 2022, amounts due from the City of Buffalo include emergency rent assistance funding, along with lead remediation services. The Agency incurred expenditures upfront.

At June 30, 2022, net amounts due from related parties consisted of:

Due from BNRC, net of payables	\$ 10,628
Due from City of Buffalo	<u>781,762</u>
Total	<u>\$ 792,390</u>

16. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. During the year ended June 30, 2022, The Agency did not report any encumbrances.

17. CONTINGENCIES

Grants—In the normal course of operations, the Agency receives grant funds from various federal and state agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the Agency. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any such amounts to be immaterial.

Litigation—Various legal actions are pending against the Agency. The outcome of these matters is not presently determinable, but in the opinion of management, the ultimate liability will not have a material adverse effect on the financial condition or results of operation of the Agency.

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 28, 2022, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF BUFFALO URBAN RENEWAL AGENCY
Schedule of the Agency's Proportionate Share of the Net Pension Liability/(Asset)—
Employees' Retirement System
Last Nine Fiscal Years*

	Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Measurement date	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Agency's proportion of the net pension liability/(asset)	0.0062068%	0.0054278%	0.0070411%	0.0065749%	0.0075896%	0.0079393%	0.0074517%	0.0080528%	0.0080528%
Agency's proportionate share of the net pension liability/(asset)	\$ (507,377)	\$ 5,405	\$ 1,864,514	\$ 465,855	\$ 244,949	\$ 745,994	\$ 1,196,017	\$ 272,042	\$ 363,893
Agency's covered payroll	\$ 2,187,921	\$ 1,909,348	\$ 2,073,426	\$ 2,352,824	\$ 2,224,950	\$ 2,314,866	\$ 2,317,443	\$ 2,107,411	\$ 2,259,204
Agency's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	-23.2%	0.3%	89.9%	19.8%	11.0%	32.2%	51.6%	12.9%	16.1%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	103.7%	100.0%	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%	97.2%

*Information prior to the year ended June 30, 2014 is not available.

CITY OF BUFFALO URBAN RENEWAL AGENCY
Schedule of the Agency's Contributions—
Employees' Retirement System
Last Nine Fiscal Years*

	Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 314,610	\$ 298,488	\$ 321,081	\$ 324,724	\$ 333,843	\$ 367,814	\$ 346,327	\$ 393,546	\$ 466,649
Contributions in relation to the contractually required contribution	(314,610)	(298,488)	(321,081)	(324,724)	(333,843)	(367,814)	(346,327)	(393,546)	(466,649)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Agency's covered payroll	\$ 2,248,084	\$ 1,966,341	\$ 2,022,097	\$ 2,243,874	\$ 2,309,933	\$ 2,247,303	\$ 2,335,268	\$ 2,097,796	\$ 2,252,172
Contributions as a percentage of covered payroll	14.0%	15.2%	15.9%	14.5%	14.5%	16.4%	14.8%	18.8%	20.7%

*Information prior to the year ended June 30, 2014 is not available.

CITY OF BUFFALO URBAN RENEWAL AGENCY
Schedule of Changes in the Agency's Total OPEB Liability and Related Ratios
Last Five Fiscal Years*

	<u>2022</u>	<u>2021**</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ 163,869	\$ 465,889	\$ 618,096	\$ 633,004	\$ 633,004
Interest	209,880	624,953	919,787	914,947	886,485
Effect of economic/demographic gains or losses	(12,099)	3,268,806	(5,403,620)	(1,007,888)	(274,519)
Changes of assumptions	(834,171)	1,704,956	2,437,600	-	-
Benefit payments	(401,050)	(476,916)	(331,387)	(449,719)	(463,260)
Net changes in total OPEB liability	<u>(873,571)</u>	<u>5,587,688</u>	<u>(1,759,524)</u>	<u>90,344</u>	<u>781,710</u>
Total OPEB liability—beginning, as restated	9,663,116	23,265,470	25,024,994	24,934,650	24,152,940
Restatement	-	(19,190,042)	-	-	-
Total OPEB liability—ending	<u>\$ 8,789,545</u>	<u>\$ 9,663,116</u>	<u>\$ 23,265,470</u>	<u>\$ 25,024,994</u>	<u>\$ 24,934,650</u>
Plan fiduciary net position					
Contributions—employer	\$ 401,050	\$ 476,916	\$ 331,387	\$ 449,719	\$ 463,260
Benefit payments	(401,050)	(476,916)	(331,387)	(449,719)	(463,260)
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position—beginning	-	-	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Agency's net OPEB liability—ending	<u>\$ 8,789,545</u>	<u>\$ 9,663,116</u>	<u>\$ 23,265,470</u>	<u>\$ 25,024,994</u>	<u>\$ 24,934,650</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 2,248,084	\$ 1,966,341	\$ 2,022,097	\$ 2,243,874	\$ 2,309,933
Agency's net OPEB liability as a percentage of covered-employee payroll	390.98%	491.43%	1150.56%	1115.26%	1079.45%

*Information prior to the year ended June 30, 2018 is not available.

**During the year ended June 30, 2022, the Agency reviewed assumption data utilized in previous actuarial valuations and determined that the estimated OPEB liability at June 30, 2021 was overstated by \$19,190,042.

The note to the required supplementary information is an integral part of this schedule.

CITY OF BUFFALO URBAN RENEWAL AGENCY
Note to the Required Supplementary Information
Year Ended June 30, 2022

1. OPEB LIABILITY

Changes of Assumptions—The rate used to discount future plan cash flows increased from 2.18% at June 30, 2021 to 3.00% at June 30, 2022 based on a review of the S&P Municipal Bond 20-Year Bond rate as of the measurement date. Mortality rates are based on the Pub-2010 Public Retirement Plans Mortality Tables. Finally, the healthcare cost trend rate for medical has an initial rate of 5.70% and an ultimate rate of 5.20%.

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SUPPLEMENTARY INFORMATION

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CITY OF BUFFALO URBAN RENEWAL AGENCY
Combining Balance Sheet—Nonmajor Governmental Funds
June 30, 2022

	Lead Abatement Program	Lead Hazard Program	Section 312 Loan Program	Rental Rehabilitation Program	State Housing Grant Program	Cities RISE Program	Total Nonmajor Funds
ASSETS							
Restricted cash and cash equivalents	\$ -	\$ -	\$ -	\$ 1,879	\$ 59,968	\$ 746,099	\$ 807,946
Due from other funds	-	-	8,754	-	-	-	8,754
Intergovernmental receivables	10,628	49,070	-	-	-	-	59,698
Prepaid items	-	-	-	-	-	16,640	16,640
Total assets	<u>\$ 10,628</u>	<u>\$ 49,070</u>	<u>\$ 8,754</u>	<u>\$ 1,879</u>	<u>\$ 59,968</u>	<u>\$ 762,739</u>	<u>\$ 893,038</u>
LIABILITIES							
Accounts payable and accrued expenses	\$ -	\$ 580	\$ -	\$ -	\$ 849	\$ -	\$ 1,429
Due to other funds	-	48,490	-	-	2,608	-	51,098
Total liabilities	<u>-</u>	<u>49,070</u>	<u>-</u>	<u>-</u>	<u>3,457</u>	<u>-</u>	<u>52,527</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	16,640	16,640
Restricted	10,628	-	8,754	1,879	56,511	746,099	823,871
Total fund balances	<u>10,628</u>	<u>-</u>	<u>8,754</u>	<u>1,879</u>	<u>56,511</u>	<u>762,739</u>	<u>840,511</u>
Total liabilities and fund balances	<u>\$ 10,628</u>	<u>\$ 49,070</u>	<u>\$ 8,754</u>	<u>\$ 1,879</u>	<u>\$ 59,968</u>	<u>\$ 762,739</u>	<u>\$ 893,038</u>

CITY OF BUFFALO URBAN RENEWAL AGENCY
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances—Nonmajor Governmental Funds
Year Ended June 30, 2022

	<u>Lead Abatement Program</u>	<u>Lead Hazard Program</u>	<u>Section 312 Loan Program</u>	<u>Rental Rehabilitation Program</u>	<u>State Housing Grant Program</u>	<u>Cities RISE Program</u>	<u>Total Nonmajor Funds</u>
REVENUES							
Federal grants	\$ -	\$ 121,878	\$ -	\$ -	\$ -	\$ -	\$ 121,878
Repayment of program loans	-	-	1,600	-	-	-	1,600
Miscellaneous	-	-	-	200	8,018	-	8,218
Total revenues	<u>-</u>	<u>121,878</u>	<u>1,600</u>	<u>200</u>	<u>8,018</u>	<u>-</u>	<u>131,696</u>
EXPENDITURES							
Rehabilitation and preservation activities, including grants and loans	-	121,878	-	5,000	-	-	126,878
Planning, management, and administration	-	-	-	-	3,631	187,979	191,610
Total expenditures	<u>-</u>	<u>121,878</u>	<u>-</u>	<u>5,000</u>	<u>3,631</u>	<u>187,979</u>	<u>318,488</u>
Net change in fund balances	-	-	1,600	(4,800)	4,387	(187,979)	(186,792)
Fund balances—beginning	10,628	-	7,154	6,679	52,124	950,718	1,027,303
Fund balances—ending	<u>\$ 10,628</u>	<u>\$ -</u>	<u>\$ 8,754</u>	<u>\$ 1,879</u>	<u>\$ 56,511</u>	<u>\$ 762,739</u>	<u>\$ 840,511</u>

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CITY OF BUFFALO URBAN RENEWAL AGENCY
Schedule of Agency's Investments
Year Ended June 30, 2022

Annual Investment Report—§2925(6) of Public Authorities Law of the State of New York requires that each public authority must annually prepare an investment report which shall include (a) investment guidelines, (b) amendments to such guidelines since the last investment report, (c) an explanation of the investment guidelines and amendments, (d) results of the annual independent audit, (e) the investment income record of the corporation, and (f) a list of the total fees, commissions or other charges paid to each investment banker, broker, dealer and adviser rendering investment associated services to the Agency since the last investment report.

- a. Investment guidelines—The Agency's investment policies are governed by State statutes. All investments are maintained in bank deposit accounts which are federally insured. The Agency's deposits are held at quality institutions.
- b. Amendments to guidelines—None.
- c. Explanation of guidelines and investments—These guidelines restrict investment of the Agency's funds to deposits in federally insured banks. The Agency has not made any amendments to its investment policy.
- d. Results of the annual independent audit—The independent auditors have issued an unmodified opinion on the Agency's financial statements for the year ended June 30, 2022.
- e. Investment income record—Investment income for the year ended June 30, 2022 consisted of:

	Interest Earned
JPMorgan Chase Bank	\$ 104
Evans Bank	14,940
Total	\$ 15,044

- f. List of the total fees, commissions or other charges paid to each investment banker, broker, dealer and adviser rendering investment associated services to the Agency since the last investment report—No such fees or commissions were paid during the year ended June 30, 2022.

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OTHER INFORMATION

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CITY OF BUFFALO URBAN RENEWAL AGENCY
Real Property Listing (Unaudited)
June 30, 2022

1. **Real Property List** – §2896(3) of Public Authorities Law of the State of New York requires that each public authority must publish, at least annually, a report listing all real property of the authority. At June 30, 2022, the Agency owned the following real property:

Date Acquired	Section/Block/Lot Identification	Property Address	Municipality	Recorded Value *
n/a **	133.05-4-8.11	229 Abby	Buffalo, NY	\$ 1
n/a **	133.05-1-1.14	265 Abby	Buffalo, NY	1
n/a **	123.77-1-4	341 Abby	Buffalo, NY	1
3/24/1988	100.77-4-4	225 Allen	Buffalo, NY	12,604
3/28/1988	100.77-10-3	252 Allen	Buffalo, NY	15,000
12/31/1992	133.05-4-1.11	9 Beacon	Buffalo, NY	1
12/31/1992	133.05-1-7	92 Beacon	Buffalo, NY	1
1/15/1980	112.14-1-1.311	30 Bud Mill	Buffalo, NY	1
n/a **	112.19-3-9.12	97 Buffalo Industrial Park	Buffalo, NY	1
7/2/1992	111.53-3-4.121	50 Court	Buffalo, NY	1
1/26/1996	111.81-6-5.121	450 Exchange	Buffalo, NY	69,761
1/20/1980	110.76-1-2.1	10 La Riviere	Buffalo, NY	1
1/28/1980	110.76-1-6	15 La Riviere	Buffalo, NY	1
n/a **	110.76-1-8	99999 La Riviere	Buffalo, NY	1
1/28/1980	110.76-1-4	20 Lakefront	Buffalo, NY	1
1/28/1980	110.68-1-5	100 Lakefront	Buffalo, NY	1
2/15/2002	111.38-4-3	667 Main	Buffalo, NY	1
12/31/1992	133.05-1-4	263 Mystic	Buffalo, NY	1
12/31/1992	133.05-1-5	265 Mystic	Buffalo, NY	1
1/28/1980	110.67-1-1	78 Ojibwa	Buffalo, NY	1
5/5/1995	122.05-6-1.1	125 Perry	Buffalo, NY	1,400,000
6/22/1994	122.05-2-1.11	1 Seymour H Knox	Buffalo, NY	1,522,000
11/21/2001	110.76-1-7	2 Templeton Terrace	Buffalo, NY	1
9/20/1983	111.17-5-1.1	61 Terrace	Buffalo, NY	135,000
1/28/1980	110.68-1-11	4 Waterfront Cr.	Buffalo, NY	1

(continued)

(concluded)

<u>Date Acquired</u>	<u>Section/Block/Lot Identification</u>	<u>Property Address</u>	<u>Municipality</u>	<u>Recorded Value *</u>
1/28/1980	110.68-1-9	28 Waterfront Cr.	Buffalo, NY	1
1/28/1980	110.68-1-8	30 Waterfront Cr.	Buffalo, NY	1
n/a **	110.68-1-8.1	34 Waterfront Cr.	Buffalo, NY	1
1/28/1980	110.68-1-6.1	42 Waterfront Cr.	Buffalo, NY	1
1/28/1980	110.76-1-5	20 Wilkeson	Buffalo, NY	1
		Total		<u>\$ 3,154,389</u>

* Recorded value is based on lower cost or market value at date of acquisition, plus any property improvement costs. Donated properties are recorded at management's estimated fair value at acquisition.

** Information not available.

- 2. Real Property Acquisitions/Dispositions** – During the year ended June 30, 2022, the Agency did not acquire or dispose of any real properties.

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FEDERAL AWARDS INFORMATION

CITY OF BUFFALO URBAN RENEWAL AGENCY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title (1a)	Federal Assistance Listing Number (1b)	Pass-Through Entity's Identifying Number (1c)	Passed- Through to Subrecipients	Total Federal Expenditures (1d)
U.S. Department of Housing and Urban Development:				
Direct programs:				
Low Income Housing Assistance Program -				
Section 8 Moderate Rehabilitation Program	14.856	n/a	\$ 37,591	\$ 37,591
Section 8 Housing Choice Voucher Program	14.871	n/a	38,899,234	39,165,474
Passed through the City of Buffalo:				
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-36-0001	-	6
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-36-0001	-	2
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-36-0001	-	220
Community Development Block Grants/Entitlement Grants	14.218	B-17-MC-36-0001	-	18,580
Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-36-0001	-	143,126
Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-36-0001	-	1,520,153
Community Development Block Grants/Entitlement Grants	14.218	B-20-MC-36-0001	-	2,916,874
Community Development Block Grants/Entitlement Grants	14.218	B-21-MC-36-0001	-	1,074,972
Community Development Block Grants/Entitlement Grants–COVID 19	14.218	B-21-MW-36-001	-	3,239,801
Community Development Block Grant - Loans**	14.218	various	-	1,931,551
Total Community Development Block Grant			-	10,845,285
Rental Housing Rehabilitation Grant - Loans*	14.230	various	-	5,000
HOME Investment Partnerships Program	14.239	M-15-MC-36-0502	-	302,809
HOME Investment Partnerships Program	14.239	M-16-MC-36-0502	-	283,472
HOME Investment Partnerships Program	14.239	M-17-MC-36-0502	-	1,082,390
HOME Investment Partnerships Program	14.239	M-18-MC-36-0502	-	1,173,461
HOME Investment Partnerships Program	14.239	M-19-MC-36-0502	-	334,373
HOME Investment Partnerships Program	14.239	M-20-MC-36-0502	-	65,333
HOME Investment Partnerships Program	14.239	M-21-MC-36-0502	-	340,734
HOME Investment Partnerships Program - Loans***	14.239	various	-	2,796,973
Total HOME Investment Partnerships Program			-	6,379,545
Total Expenditures of Federal Awards (1e)			\$ 38,936,825	\$ 56,432,895

* The amount of ALN 14.230, Rental Housing Rehabilitation Grant - Loans, loans outstanding at July 1, 2021 and June 30, 2022 were \$153,283 and \$135,253, respectively.

** The amount of ALN 14.218 loans outstanding at July 1, 2021 and June 30, 2022 were \$25,521,166 and \$25,442,237, respectively.

*** The amount of ALN 14.239 loans outstanding at July 1, 2021 and June 30, 2022 were \$69,238,719 and \$72,811,553, respectively.

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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CITY OF BUFFALO URBAN RENEWAL AGENCY
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the City of Buffalo Urban Renewal Agency (the “Agency”) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a select portion of the operations of the Agency, it is not intended to and does not present the financial position or the changes in net position of the Agency. The following notes were identified on the Schedule:

- (a) Includes all federal award programs of the City of Buffalo Urban Renewal Agency.
- (b) Source: Federal Assistance Listing Number, previously known as the Catalog of Federal Domestic Assistance.
- (c) Pass-through entity identifying numbers are presented where available.
- (d) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- (e) A reconciliation to the financial statements is available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The Agency has not elected to use the 10 percent de minimus indirect cost rate as allowable under the Uniform Guidance.

3. LOANS OUTSTANDING

Expenditures for loan programs on the Schedule are reported in accordance with 2 CFR 200.502 Section b, which states “the new loans made or received during the audit period; plus beginning of the audit period balance of loans from previous years for which the Federal government imposes continuing compliance requirements plus any interest subsidy, cash or administrative cost allowance received.”

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Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Buffalo Urban Renewal Agency (the "Agency") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated September 28, 2022 (which report includes an other matter paragraph regarding the restatement of net position).

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as item 2022-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Agency's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Drescher & Malecki LLP

September 28, 2022

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Buffalo Urban Renewal Agency, New York's (the "Agency") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2022. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Agency's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Agency's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Agency's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Agency's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Drescher & Malecki LLP

September 28, 2022

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CITY OF BUFFALO URBAN RENEWAL AGENCY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of report the auditor issued: Unmodified*
 * (which report includes an other matter paragraph regarding the restatement of net position)

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	_____ <input checked="" type="checkbox"/> Yes	_____ None reported
Noncompliance material to the financial statements noted?	_____ Yes	_____ <input checked="" type="checkbox"/> No

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes No

Identification of major federal programs:

<u>Federal Assistance Listing Number(s)</u>	<u>Name of Federal Program</u>
14.239	HOME Investment Partnerships Program
14.871	Section 8 Housing Choice Voucher Program

Dollar threshold used to distinguish between Type A and Type B programs? \$ 1,692,987

Auditee qualified as low-risk auditee? _____ Yes _____ No

Section II. FINANCIAL STATEMENT FINDINGS

We consider the following deficiency to be a significant deficiency in internal control.

Finding 2022-001—Other Postemployment Benefits (“OPEB”) Actuarial Valuation

Criteria: In fulfilling the requirements of Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the Agency prepares and submits data to a third party actuary. Data submission, including the application of certain assumptions, methodologies, and census data, should be reviewed for accuracy and reasonableness to generate a reasonable long term actuarial liability.

Condition and Context: During the year ended June 30, 2022, the Agency provided incorrect key assumption data to the actuary. The errors were identified during the audit process and were corrected.

Cause: The Agency lacks a review process to ensure all assumption and census data is being submitted accurately and in a timely manner.

Effect or Potential Effect: At June 30, 2021, the Agency overstated its long-term OPEB liability and required a restatement of net position.

Recommendation: We recommend that the Agency review the process for its actuarial data submissions to ensure timeliness, accuracy and integrity of the data provided. Additionally, the assumptions and methodologies applied in the actuarial calculations should be reviewed to industry standards and peer actuarial studies to determine their reasonableness. The documentation and approval of this process should be formalized into an Agency policy or procedure.

Management’s Response: Beginning with the fiscal year ended June 30, 2022, the Agency implemented a process that includes the following: the Payroll Accountant will provide the healthcare and subscriber data needed to input into the OPEB actuarial application, the Payroll and Benefits Manager will receive additional training on how to interpret and input the source data into the OPEB actuarial application using appropriate assumptions and methodologies, and the Director of Finance will perform a final review of the data entered and assumptions and methodologies applied within the OPEB actuarial application prior to finalizing the GASB 75 report. In addition, the aforementioned steps and review of the GASB 75 report will be completed prior to June 30th of the fiscal year audited, every two years as regulated by GASB, to ensure the timely review and availability of the final report prior to performance of the external audit.

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted.

CITY OF BUFFALO URBAN RENEWAL AGENCY
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022
(Follow-up on June 30, 2021 Findings)

No findings were reported.

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