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*Certified Public Accountants*

September 28, 2022

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

We have audited the financial statements of the City of Buffalo Urban Renewal Agency (the “Agency”), a component unit of the City of Buffalo, New York, as of and for the year ended June 30, 2022, and have issued our report thereon dated September 28, 2022 (which report includes an other matter paragraph regarding the restatement of net position. Professional standards require that we advise you of the following matters relating to our audit.

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

As communicated in our engagement letter dated July 11, 2022, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

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

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

We have provided our finding regarding a significant deficiency over financial reporting and our comments regarding other matters noted during our audit in separate communications to you dated September 28, 2022.

**Planned Scope and Timing of the Audit**

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

## Compliance with All Ethics Requirements Regarding Independence

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

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

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Agency is included in Note 1 to the financial statements. Except for the matters discussed below, there have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2022.

As described in Note 2 to the financial statements, during the year ended June 30, 2022, the Agency reviewed assumption data utilized in previous actuarial valuations and determined that the estimated Other Postemployment Benefits ("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:

	<u>Governmental Activities</u>
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>

During the year ended June 30, 2022, the Agency implemented Governmental Accounting Standards Board ("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 establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. GASB Statement No. 98 establishes the term annual comprehensive financial report and its acronym ACFR. The implementation of GASB Statement No. 87 resulted in the Agency's recording of a lease receivable and corresponding deferred inflow of resources. The implementation of GASB Statements No. 89, 91, and 98 did not have a material impact on the Agency's financial position or results from operations.

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

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements for the year ended June 30, 2022 are the allowance for doubtful accounts, compensated absences liability, other postemployment benefits ("OPEB") obligation, and the net pension liability/(asset).

Management's estimate of the allowance for doubtful accounts is based on past trends and estimated collectability. Management's estimate of the liability for compensated absences is based on available information regarding eligibility, historical trends, leave balances accrued and current compensation rates. Management's estimates of the liability for other postemployment benefits and the net pension liability/(asset) are based on information obtained from actuarial valuations performed by a consultant. We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the financial statements taken as a whole and in relation to the applicable opinion units.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Agency's financial statements relate to significant accounting policies and disclosures relating to contingencies, estimates, and related parties and risk management.

### **Significant Unusual Transactions**

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. We encountered no significant unusual transactions throughout our audit.

### **Significant Difficulties Encountered during the Audit**

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

### **Uncorrected and Corrected Misstatements**

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

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. Material misstatements that were identified as a result of our audit procedures were brought to the attention of, and corrected by, management. Those items are included within the proposed adjusting journal entries for the year ended June 30, 2022, which are attached to the management representation letter dated September 28, 2022 as Exhibit I (copy attached).

### **Disagreements with Management**

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

### **Circumstances that Affect the Form and Content of the Auditor's Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report.

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.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated September 28, 2022.

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

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

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

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

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

*Dresscher & Malecki LLP*

September 28, 2022

September 28, 2022

Drescher & Malecki LLP  
3083 William Street, Suite 5  
Buffalo, New York 14227

This representation letter is provided in connection with your audit of the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Buffalo Urban Renewal Agency, New York (the "Agency") as of June 30, 2022 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the basic financial statements present fairly, in all material respects, the financial position and results of operations of the various opinion units of the Agency in accordance with accounting principles generally accepted for governments in the United States of America ("U.S. GAAP").

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, 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.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of September 28, 2022:

#### **Financial Statements**

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 11, 2022, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- The financial statements referred to above have been fairly presented in accordance with U.S. GAAP and include all properly classified funds required supplementary information and notes to the basic financial statements.
- We acknowledge our responsibility 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.

- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure and right-to-use leased assets, are properly capitalized, reported, and if applicable, depreciated/amortized.
- All required supplementary information is measured and presented within the prescribed guidelines.

### **Information Provided**

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have provided to you our analysis of the Agency's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigations and claims whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or the financial reporting practices.

## **Required Supplementary Information**

With respect to the required supplementary information accompanying the financial statements, including Management's Discussion and Analysis:

- We acknowledge our responsibility for the presentation of the required supplementary information in accordance with U.S. GAAP.
- We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with U.S. GAAP.
- The methods of measurement or presentation have not changed from those used in the prior period and the basis for our assumptions and interpretations underlying those measurements or presentations, are reasonable and appropriate in the circumstances.

## **Supplementary Information in Relation to the Financial Statements as a Whole**

With respect to the supplementary information accompanying the financial statements:

- We acknowledge our responsibility for the presentation of the supplementary information in accordance with U.S. GAAP.
- We believe that the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP.
- The methods of measurement or presentation have not changed from those used in the prior period and the basis for our assumptions and interpretations underlying those measurements or presentations, are reasonable and appropriate in the circumstances.
- We acknowledge our responsibility to include the auditor's report on the supplementary information in any document containing the supplementary information and that indicates the auditor reported on such supplementary information.
- We acknowledge our responsibility to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.

## **Single Audit**

With respect to federal awards, we represent the following to you:

- We are responsible for understanding and complying with and have complied with the audit requirements of Title 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* ("Uniform Guidance").
- We are responsible for the preparation and presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance.
- We believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance.

- Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the schedule of expenditures of federal awards).
- The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- We have monitored subrecipients, as necessary, to determine if they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.
- We have issued management decisions for audit findings that relate to federal awards we make to subrecipients and such management decisions are issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse. Additionally, we have followed-up ensuring that the subrecipients have taken the appropriate and timely actions on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient from the pass-through entity.
- We have considered the results of subrecipients' audits and have made any necessary adjustments to our own books and records.
- We have properly classified amounts claimed or used for matching in accordance with related guidelines in the Uniform Guidance, as applicable.
- We have charged costs to federal awards in accordance with applicable cost principles.
- We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- The reporting package does not contain personally identifiable information.
- We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes and an acknowledgment of the auditor's role in the preparation of this information.
- We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

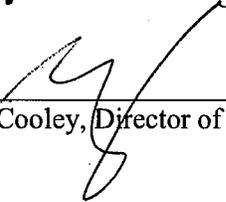
- In the normal course of operations, the Agency receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. While the amount of any expenditure which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.
- No department of the Agency has reported a material instance of noncompliance to us.
- The Community Development Block Grant ("CDBG") Fund, the CDBG—COVID Fund, Section 8 Housing Program Fund, the HOME Program Fund, and Emergency Rent Assistance Program Fund recognize revenue for every expenditure that is expected to be reimbursed. Due to the timing of certain receipts related to these reimbursements, as of June 30, 2022 the CDBG Fund, the CDBG—COVID, Section 8 Housing Program Fund, HOME Program Fund, and the Emergency Rent Assistance Program have recorded receivables of \$668,026, \$1,269,475, \$100, \$801,532 and \$732,692, respectively. Management believes these reimbursements will be available to liquidate liabilities that existed as of June 30, 2022.
- The Agency has established a lease threshold of \$5,000 for reporting in accordance with GASB Statement No. 87, *Leases*. Management believes the lease receivable related to real property for the premises commonly known as 450 Exchange Street meets the criteria for recording activity at June 30, 2022. On the other hand, the lease receivable related to real property for the premises commonly known as 61 Terrace does not meet the criteria for recording at June 30, 2022. The exclusion is due to the uncertainty of subsequent rental income fees.
- We have no intention of withdrawing from multi-employer pension plans, or taking any other action that could result in an effective termination or reportable event for any of the plans. We are not aware of any occurrences that could result in the termination of any of our multi-employer pension plans to which we contribute. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- We are unable to determine the possibility of a withdrawal liability in a multi-employer benefit plan.
- We agree with the findings of specialists in evaluating the other postemployment benefits obligation and net pension liability/(asset), and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
- Management has disclosed whether, subsequent to June 30, 2022, any changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to reportable conditions (including material weaknesses), have occurred.
- The Agency is responsible for determining and maintaining the adequacy of the allowance for accounts receivable, as well as estimates used to determine such amounts. Management believes the allowance is adequate to absorb currently estimated bad debts in the account balance.
- Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value. All inventories are the property of the Agency and do not include any items consigned to it, any items billed to customers, or any items for which the liability has not been recorded.

- Agency management understands that Drescher & Malecki LLP has not performed any management functions or made management decisions on behalf of the Agency. Any nonattest services were performed in accordance with the applicable professional standards issued by the American Institute of Certified Public Accountants.



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Scott Bluman, General Counsel



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Tracy Cooley, Director of Finance

**Buffalo Urban Renewal Agency  
Proposed Adjusting Journal Entries  
Year Ended June 30, 2022**

**Exhibit I**

<b>Account</b>	<b>Description</b>	<b>Debit</b>	<b>Credit</b>
<b>Proposed Adjusting Journal Entry JE # 1</b>			
For reporting purposes only: To eliminate interfund loan balances within the General Fund at year end.			
U100-208001-UJF4	DUE TO OTHER FUNDS NON-FEDERAL	\$ 660,480	
U200-208100-	INTERFUND PAYABLE BURA GEN FUN	941,050	
U202-208100-	INTERFUND PAYABLE BURA GEN FUN	17,349	
U100-130200-	INTRFND REC FR BURA SPEC REV		\$ 941,050
U100-130202-	INTERFUND REC LISC		17,349
U200-130010-	INTRFND REC GENERAL FUND		660,480
<b>Total</b>		<b><u>1,618,879</u></b>	<b><u>1,618,879</u></b>
<b>Proposed Adjusting Journal Entry JE # 2</b>			
For reporting purposes only: To record leased asset addition as of June 30, 2022.			
U100-165002	LEASED EQUIPMENT (TOSHIBA COPIER)	22,586	
U100-5710	LEASE PROCEEDS		22,586
<b>Total</b>		<b><u>22,586</u></b>	<b><u>22,586</u></b>
<b>Proposed Adjusting Journal Entry JE # 3</b>			
For reporting purposes only: To record lease principal payments for the fiscal year ended June 30, 2022.			
U100-9700-0100	LEASE PRINCIPAL PAYMENTS	5,450	
U100-9700-0200	LEASE INTEREST PAYMENTS	471	
U100-165002	LEASED EQUIPMENT (TOSHIBA COPIER)		5,921
<b>Total</b>		<b><u>5,921</u></b>	<b><u>5,921</u></b>
<b>Proposed Adjusting Journal Entry JE # 4</b>			
For reporting purposes only: To record lease receivable for the fiscal year ended June 30, 2022.			
U100-130000	Lease Receivable	455,666	
U100-224001	Deferred Inflow of Resources		443,092
U100-362001	RENTAL INCOME		12,574
<b>Total</b>		<b><u>\$ 455,666</u></b>	<b><u>\$ 455,666</u></b>