

CITY OF BUFFALO
URBAN RENEWAL AGENCY

SUPPLEMENTARY INFORMATION ON FEDERAL, STATE AND LOCAL GRANT
PROGRAMS IN ACCORDANCE WITH THE SINGLE AUDIT ACT AMENDMENTS
OF 1996 AND THE PROVISIONS OF OMB CIRCULAR A-133
FOR THE YEAR ENDED JUNE 30, 2011
WITH
INDEPENDENT AUDITORS' REPORT

**CITY OF BUFFALO URBAN RENEWAL AGENCY
 TABLE OF CONTENTS
 FOR THE YEAR ENDED JUNE 30, 2011**

	Page(s)
Financial Section	
Independent Auditors' Report on Schedule of Expenditures of Federal Awards and other Supplementary Information	1 - 2
Schedule of Expenditures of Federal Awards	3 - 4
Summary of Federal, State and Local Grant Programs	5
Statement of Source and Status of Funds – Community Development Block Grant Funds – Entitlement	6
Statement of Program Costs – Community Development Block Grant Funds – Entitlement	7 - 11
Notes to Supplementary Financial Information on Federal, State and Local Grant Programs	12 - 18
Compliance and Internal Control Section	
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 <i>Government Auditing Standards</i>	19 - 20
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	21 - 22
Schedule of Findings and Questioned Costs Summary of Auditor's Results	23
Schedule of Findings and Questioned Costs	24
Status of Prior Year Audit Findings	25 - 27



**INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS AND OTHER SUPPLEMENTARY INFORMATION**

To Darby R. Fishkin
Interim Comptroller of the City of Buffalo
Buffalo, New York

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Buffalo Urban Renewal Agency ("BURA"), a component unit of the City of Buffalo, as of and for the year ended June 30, 2011, which collectively comprise BURA's basic financial statements, and have issued our report thereon dated November 9, 2011. These financial statements are the responsibility of BURA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Buffalo Urban Renewal Agency as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2011, on our consideration of BURA'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise BURA's basic financial statements. The Summary of Federal, State, and Local Grant Programs, Statement of Source and Status of Funds – Community Development Block Grant Funds – Entitlement, and the Statement of Program Costs – Community Development Block Grant Funds – Entitlement are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of BURA. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Summary of Federal, State and Local Grant Programs, Statement of Source and Status of Funds – Community Development Block Grant Funds – Entitlement, and the Statement of Program Costs – Community Development Block Grant Funds – Entitlement have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Dana ; Darata UP

November 9, 2011

**CITY OF BUFFALO URBAN RENEWAL AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Grant ID Number</u>	<u>Award Amount</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development				
Community Development Block Grant - Entitlement	14.218	B-96-MC-36-0001	\$ 22,348,000	\$ -
Community Development Block Grant - Entitlement	14.218	B-04-MC-36-0001	19,551,000	19,874
Community Development Block Grant - Entitlement	14.218	B-05-MC-36-0001	18,058,225	41,700
Community Development Block Grant - Entitlement	14.218	B-06-MC-36-0001	16,547,713	47,147
Community Development Block Grant - Entitlement	14.218	B-07-MC-36-0001	16,510,228	1,376,169
Community Development Block Grant - Entitlement	14.218	B-08-MC-36-0001	15,877,280	1,684,763
Community Development Block Grant - Entitlement	14.218	B-09-MC-36-0001	16,091,522	1,501,517
Community Development Block Grant - Entitlement	14.218	B-10-MC-36-0001	17,409,073	11,362,767
Community Development Block Grant - Entitlement	14.218	B-10-MC-36-0001	14,540,753	1,397,120
			<u>156,933,794</u>	<u>17,431,057</u> *
Community Development Block Grant - Recovery Program	14.218	B-09-MY-36-0001	4,311,494	2,315,943 *
Community Development Block Grant - Loans	14.218	Various	-	16,219,105 *
Rental Housing Rehabilitation Grant	14.230	R-84-MC-36-0508	793,056	-
Rental Housing Rehabilitation Grant	14.230	R-85-MC-36-0508	850,000	-
Rental Housing Rehabilitation Grant	14.230	R-86-MC-36-0508	361,000	-
Rental Housing Rehabilitation Grant	14.230	R-87-MC-36-0508	2,017,816	-
Rental Housing Rehabilitation Grant	14.230	R-88-MC-36-0508	996,000	-
Rental Housing Rehabilitation Grant	14.230	R-89-MC-36-0508	2,619,500	-
Rental Housing Rehabilitation Grant	14.230	R-90-MC-36-0508	634,000	-
Rental Housing Rehabilitation Grant	14.230	R-91-MC-36-0508	343,000	-
			<u>8,614,372</u>	<u>125</u>
Rental Housing Rehabilitation Grant - Loans	14.230	Various	-	486,582
Section 8 Housing Subsidy Program - Passed through to Housing Development Corporation of Western New York	14.156	-	No Set Amount	33,239,170 *
Section 312 Loan Program	14.220	-	No Set Amount	247
Section 108 Loan Guarantee Program	14.248	B-94-MC-36-0002	8,490,000	-
Section 108 Loan Guarantee Program	14.248	B-95-MC-36-0002	10,735,000	-
			<u>19,225,000</u>	<u>447,081</u>
HOME Investment Partnerships Program	14.239	M-92-MC-36-0502	5,084,000	-
HOME Investment Partnerships Program	14.239	M-93-MC-36-0502	3,360,000	-
HOME Investment Partnerships Program	14.239	M-94-MC-36-0502	4,490,000	-
HOME Investment Partnerships Program	14.239	M-95-MC-36-0502	4,814,000	-
HOME Investment Partnerships Program	14.239	M-96-MC-36-0502	4,896,000	-
HOME Investment Partnerships Program	14.239	M-97-MC-36-0502	4,797,000	-
HOME Investment Partnerships Program	14.239	M-98-MC-36-0502	5,175,000	-
HOME Investment Partnerships Program	14.239	M-99-MC-36-0502	5,580,000	-
HOME Investment Partnerships Program	14.239	M-00-MC-36-0502	5,582,000	-
HOME Investment Partnerships Program	14.239	M-01-MC-36-0502	6,213,000	-
HOME Investment Partnerships Program	14.239	M-02-MC-36-0502	6,192,000	-
HOME Investment Partnerships Program	14.239	M-03-MC-36-0502	-	-
HOME Investment Partnerships Program	14.239	M-04-MC-36-0502	-	-
HOME Investment Partnerships Program	14.239	M-05-MC-36-0502	5,174,754	-
HOME Investment Partnerships Program	14.239	M-06-MC-36-0502	4,824,057	-
HOME Investment Partnerships Program	14.239	M-07-MC-36-0502	4,789,546	-
HOME Investment Partnerships Program	14.239	M-08-MC-36-0502	4,599,687	-
HOME Investment Partnerships Program	14.239	M-09-MC-36-0502	5,081,876	-
HOME Investment Partnerships Program	14.239	M-10-MC-36-0502	5,083,088	-
HOME Investment Partnerships Program	14.239	M-10-MC-36-0502	4,476,638	-
			<u>90,212,646</u>	<u>4,549,464</u> *
HOME Investment Partnerships Program - Loans	14.239	Various	\$ -	\$ 49,513,247 *
HOPE for Homeownership of Single Family Homes (HOPE 3)	14.240	H-3-92-WY-0502-I-N	503,090	-

*Indicates Major Federal Assistance Program.

(Continued)

**CITY OF BUFFALO URBAN RENEWAL AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant ID Number</u>	<u>Award Amount</u>	<u>Expenditures</u>
Housing Opportunities for Persons with AIDS (HOPWA)	14 241	H01-NY04-F004	412,000	-
Housing Opportunities for Persons with AIDS (HOPWA)	14 241	H02-NY04-F004	446,000	-
Housing Opportunities for Persons with AIDS (HOPWA)	14 241	H03-NY04-F004	473,000	-
Housing Opportunities for Persons with AIDS (HOPWA)	14 241	H04-NY04-F004	472,000	-
Housing Opportunities for Persons with AIDS (HOPWA)	14 241	H05-NY04-F004	456,000	-
Housing Opportunities for Persons with AIDS (HOPWA)	14 241	H06-NY04-F004	480,000	-
Housing Opportunities for Persons with AIDS (HOPWA)	14 241	H07-NY04-F004	480,000	-
Housing Opportunities for Persons with AIDS (HOPWA)	14 241	H08-NY04-F004	507,000	-
Housing Opportunities for Persons with AIDS (HOPWA)	14 241	H09-NY04-F004	521,962	-
Housing Opportunities for Persons with AIDS (HOPWA)	14 241	H10-NY04-F004	565,329	-
Housing Opportunities for Persons with AIDS (HOPWA)	14 241	H10-NY04-F004	567,151	-
			<u>5,380,442</u>	<u>451,804</u>
Emergency Shelter Grants Program	14 231	S-87-MC-36-0100	56,000	-
Emergency Shelter Grants Program	14 231	S-92-MC-36-0003	395,000	-
Emergency Shelter Grants Program	14 231	S-93-MC-36-0003	259,000	-
Emergency Shelter Grants Program	14 231	S-94-MC-36-0003	587,000	-
Emergency Shelter Grants Program	14 231	S-95-MC-36-0003	802,000	-
Emergency Shelter Grants Program	14 231	S-96-MC-36-0003	582,000	-
Emergency Shelter Grants Program	14 231	S-97-MC-36-0003	580,000	-
Emergency Shelter Grants Program	14 231	S-98-MC-36-0003	838,000	-
Emergency Shelter Grants Program	14 231	S-99-MC-36-0003	751,000	-
Emergency Shelter Grants Program	14 231	S-00-MC-36-0003	750,000	-
Emergency Shelter Grants Program	14 231	S-01-MC-36-0003	745,000	-
Emergency Shelter Grants Program	14 231	S-02-MC-36-0003	744,000	-
Emergency Shelter Grants Program	14 231	S-03-MC-36-0003	747,000	-
Emergency Shelter Grants Program	14 231	S-04-MC-36-0003	728,773	-
Emergency Shelter Grants Program	14 231	S-05-MC-36-0003	715,093	-
Emergency Shelter Grants Program	14 231	S-06-MC-36-0003	709,936	-
Emergency Shelter Grants Program	14 231	S-07-MC-36-0003	713,642	-
Emergency Shelter Grants Program	14 231	S-08-MC-36-0003	711,365	-
Emergency Shelter Grants Program	14 231	S-09-MC-36-0003	706,910	-
Emergency Shelter Grants Program	14 231	S-10-MC-36-0003	705,483	-
Emergency Shelter Grants Program	14 231	S-10-MC-36-0003	705,316	-
			<u>13,532,518</u>	<u>695,562</u>
Emergency Shelter Grants Program for Homeless Prevention	14 262	S-09-MY-36-0003	6,594,081	3,769,910 *
Economic Development Initiative Program				
- Passed through to Buffalo Economic Renaissance Corp.:				
Economic Development Initiative - Ellicott	14 246	B-92-ED-36-0001	500,000	-
Economic Development Initiative - Glenn	14 246	B-93-ED-36-0001	129,000	-
Economic Development Initiative - Medical Inn	14 246	B-95-ED-36-0003	1,000,000	-
- Passed through to Buffalo Neighborhood Revitalization Corp.:				
Economic Development Initiative - HOZO	14 246	B-96-ED-36-0001	5,000,000	20,193
Economic Development Initiative - LaSalle Park	14 246	B-96-ED-36-0001	500,000	-
Economic Development Initiative - Crescent Village	14 246	B-05-SP-NY-0912	96,224	-
			<u>7,225,224</u>	<u>20,193</u>
Lead Hazard Reduction Demo Grant	14 905	NYLHD0032-04	733,036	29,741
Lead Hazard Reduction Demo Grant - Loans	14 905	Various	-	616,740
Lead Based Paint Hazard Control Program	14 900	NYLAG0052-95	3,750,450	-
Lead Based Paint Hazard Control Program - Loans	14 900	Various	-	17,620
Lead Hazard Reduction Demo Grant	14 905	NYLHD0153-06	1,067,350	-
Lead Hazard Reduction Demo Grant - Loans	14 905	Various	-	857,780
Shelter Plus Care	14 238	NY06C93-1025	641,640	-
Brownfields Training, Research, and Technical Assistance Grant	66 814	BP-99242201-3	550,000	5,209
Total U.S. Department of Housing and Urban Development Funding			<u>308,369,562</u>	<u>130,666,580</u>
Total Federal Financial Assistance			<u>\$ 308,369,562</u>	<u>\$ 130,666,580</u>

*Indicates Major Federal Assistance Program.

**CITY OF BUFFALO URBAN RENEWAL AGENCY
SUMMARY OF FEDERAL, STATE AND LOCAL GRANT PROGRAMS
For the Year Ended June 30, 2011**

Grant Number Federal Funding Agency	Description	July 1, 2010 to June 30, 2011				Unrecorded		Questioned	
		Fund Balance June 30, 2010	Program Income Received	Funds Transferred or Programmed	Grant Funds Returned	Adjustments	Budget Revision	Fund Balance June 30, 2011	Costs (For the period July 1, 2009 to June 30, 2010)
U.S. Department of Housing and Urban Development									
B-96-MC-36-0001	Community Development Block Grant - Entitlement	(271,000)					(271,000)		
B-04-MC-36-0001	Community Development Block Grant - Entitlement	846,148		(200,634)			625,650	(19,874)	
B-05-MC-36-0001	Community Development Block Grant - Entitlement	1,168,361					1,126,661	(41,700)	
B-06-MC-36-0001	Community Development Block Grant - Entitlement	2,759,400		997			2,713,250	(47,147)	
B-07-MC-36-0001	Community Development Block Grant - Entitlement	8,363,791		(130,926)			6,856,696	(1,376,169)	
B-08-MC-36-0001	Community Development Block Grant - Entitlement	4,359,481	5,254,547	(1,255,559)			6,673,706	(1,684,763)	
B-09-MC-36-0001	Community Development Block Grant - Entitlement	(4,072,235)	10,461,013	472,576			5,359,837	(1,501,517)	
B-10-MC-36-0001	Community Development Block Grant - Entitlement	(979,963)		3,475,740			(7,392,206)	(11,362,767)	
B-10-MC-36-0001	Community Development Block Grant - Entitlement	12,173,983	15,715,560	2,362,204			14,530,187	(1,162,407)	
	Community Development Block Grant - Recovery Program		2,362,597				(53,346)		
	Community Development Block Grant Loans		16,219,105				180,501		
B-83-MJ-36-0001	Emergency Jobs Bill	110,991	125				110,991	(125)	
	Rental Rehabilitation Grant		486,582					(486,582)	
	Rental Rehabilitation Grant - Loans		35,239,170					(33,239,170)	
	Section 8 Housing Subsidy Program	6,872					6,872		
	- Passed through to Housing Development Corporation of Western New York								
	Section 312 Loan Program	12,093	247				12,093	(247)	
	Section 108 Loan Program		447,081					(447,081)	
M-XX-MC-36-0501	HOME Investment Partnerships Program	346,575	3,650,344				(203,167)	(4,549,464)	
	HOME Investment Partnerships Program - Loans		49,313,247					(49,513,247)	
H-3-92-WY-0502-11	HOPE for Homeownership of Single Family Homes	46,552	120				46,672		
H07NY04-F004	Housing Opportunities for Persons with AIDS (HOPWA)	4,875					(3,390)		
	EPA Brownfields		443,539					(451,804)	
S-XX-MC-36-0003	Emergency Shelter Grant Program	(119,472)	5,209					(5,209)	
S-09-MY-36-0003	Emergency Shelter Grant Program for Homeless Prevention		673,866					(695,562)	
B-96-ED-36-001	Economic Development Initiative - HOZO	69,318	3,681,807				(88,103)	(3,769,910)	
B-96-ED-36-001	Economic Development Initiative - LaSalle Park		20,193				69,318	(20,193)	
B-05-SP-NY-0912	Economic Development Initiative - Crescent Village								
NYLHD0032-04	Lead Hazard Reduction Demo Grant		17,620					(17,620)	
	Lead Hazard Reduction Demo Grant - Loans		616,740					(616,740)	
NYLHD0032-06	Lead Hazard Reduction Demo Grant		29,741					(29,741)	
	Lead Hazard Reduction Demo Grant - Loans		857,780					(857,780)	
NYLAG0052-95	Lead-Based Paint Hazard Control Program	3,183					3,183		
	Lead-Based Paint Hazard Control Program - Loans								
	Total U.S. Department of Housing and Urban Development	12,835,471	61,176,353	2,362,204	1,709,497		14,470,643	(130,666,580)	
	Total Federal Funding	12,835,471	61,176,353	2,362,204	1,709,497		14,470,643	(130,666,580)	
State Funding Agencies									
	Total State Funding								
	Total Federal, State and Local Funding	12,835,471	61,176,353	2,362,204	1,709,497		14,470,643	(130,666,580)	

See accompanying notes to supplementary financial information on federal, state and local grant programs.

**CITY OF BUFFALO URBAN RENEWAL AGENCY
STATEMENT OF SOURCE AND STATUS OF FUNDS
COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS - ENTITLEMENT
For the Year Ended June 30, 2011**

	Year 22 1996	Year 30 2004	Year 31 2005	Year 32 2006	Year 33 2007	Year 34 2008	Year 35 2009	Year 36 2010	Year 37 2011	Total
Total Program Year Funds Allocated to Recipient (including Additions)										
Allocations Subsequent to Initial Award	22,348,000	19,551,000	18,058,225	16,547,713	16,510,228	15,877,280	16,091,522	17,409,073	14,540,753	156,933,794
Add Income Programmed	1,644,582	1,877,742	1,822,099	1,389,748	549,778			5,795,883	1,584,809	14,664,641
Add/Less Unrecorded Budget Revisions (Note E)	5,267,225	1,821,774	2,116,159	1,721,284	3,751,173					14,683,615
Funds Reprogrammed Through June 30, 2010 (Note D) \$16,898,732	1,268,850	3,947,188	1,216,122	1,620,984	3,076,446	4,374,937	1,333,361	60,844	-	16,898,732
Funds Reprogrammed Through June 30, 2011	-	(200,624)	-	997	(130,926)	(1,255,559)	472,576	3,475,740	-	2,362,204
Total Adjusted Program Year Resources	30,528,657	26,997,080	23,212,605	21,280,726	23,762,699	18,956,658	17,897,459	26,741,540	16,125,562	205,542,986
Less/Add Unrecorded Budget Revisions	(5,267,225)	(1,821,774)	(2,116,159)	(1,721,284)	(3,751,173)	-	-	-	-	(14,683,615)
Less Income Programmed	(1,644,582)	(1,877,742)	(1,822,099)	(1,389,748)	(549,778)	-	-	(5,795,883)	(1,584,809)	(14,664,641)
Less Total Program Funds Drawn Down by Recipient Prior to June 30, 2010	(22,348,000)	(19,551,000)	(18,058,225)	(16,547,713)	(16,510,228)	(10,622,733)	-	-	-	(103,637,899)
Less Total Program Funds Drawn Down by Recipient Prior to June 30, 2010	(1,268,850)	(3,746,564)	(1,216,122)	(1,621,981)	(3,076,446)	(4,374,937)	(1,333,361)	(60,844)	-	(15,715,560)
Reallocation Among Program Years to Reflect Budgetary Transfer					(2,945,520)	(3,119,378)	(1,805,937)	(3,536,584)	-	(19,260,936)
Funds Still Available from HUD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,630,569	\$ 17,409,073	\$ 14,540,753	\$ 37,580,335
Excess (Deficiency) of Funds Received Over Program Costs	\$ (271,000)	\$ 846,148	\$ 1,168,361	\$ 2,759,400	\$ 8,363,791	\$ 4,359,481	\$ (4,072,235)	\$ (979,963)	\$ -	\$ 12,173,983
Other Adjustments										
Total Program Funds Drawn Down by Recipient During the Year Ended June 30, 2010	-	-	-	-	-	-	10,461,013	1,474,784	234,713	15,715,560
Program Income Received During the Year Ended June 30, 2011	-	-	-	-	-	-	-	-	-	1,709,497
Reallocation Among Program Years to Reflect Budgetary Transfer	-	(200,624)	-	997	(130,926)	(1,255,559)	472,576	3,475,740	-	2,362,204
Total Program Year Resources Received During or on Hand at the Beginning of the Year Ended June 30, 2011	(271,000)	645,524	1,168,361	2,760,397	8,232,865	8,358,469	6,861,354	3,970,561	234,713	31,961,244
Program Costs During the Period July 1, 2010 to June 30, 2011	-	(19,874)	(41,700)	(471,147)	(1,376,168)	(1,684,763)	(1,501,517)	(11,362,767)	(1,397,120)	(17,443,105)
Unrecorded Budget Revision	-	-	-	-	-	-	-	-	-	-
Excess (Deficiency) of Funds Received Over Program Costs	\$ (271,000)	\$ 625,650	\$ 1,126,661	\$ 2,713,250	\$ 6,856,697	\$ 6,673,706	\$ 5,359,837	\$ (7,392,206)	\$ (1,162,407)	\$ 14,530,188

See accompanying notes to supplementary financial information on federal, state and local grant programs.

**CITY OF BUFFALO URBAN RENEWAL AGENCY
STATEMENT OF PROGRAM COSTS
COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS - ENTITLEMENT
FOR THE YEAR ENDED JUNE 30, 2011**

Line	Cost Category	Authorized Costs	Transfers and Additions (Net)	Revised Authorized Costs	Unrecorded Budget Revisions (Note E)	Auditors' Adjusted Authorized Costs	Expenditures		Budget Variance
							Previously Reported	Current Period	
Program Year 22 (1996): CDBG No. B-96-MC-36-0001									
1	Acquisition of real property	\$ 32,314	\$ 53,451	\$ 85,765	\$ -	\$ 85,765	\$ -	\$ 85,765	\$ -
2	Disposition	184,715	164,114	348,829	-	348,829	-	348,829	-
3	Public facilities and improvements	1,574,989	(461,231)	1,113,758	-	1,113,758	-	1,113,758	-
4	Clearance activities	889,813	980,327	1,870,140	-	1,870,140	-	1,870,140	-
5	Human services	4,141,589	(191,565)	3,950,024	-	3,950,024	-	3,950,024	-
6	Intern assistance	10,000	(6,095)	3,905	-	3,905	-	3,905	-
7	Completion of previously approved urban renewal projects	-	-	-	-	-	-	-	-
12	Rehabilitation and preservation activities	5,449,708	(1,205,779)	4,243,929	-	4,243,929	-	4,243,929	-
13	Economic development activities	1,496,783	479,020	1,975,803	4,814,824	6,790,627	-	6,790,627	-
14	Special activities by BEDC-Miscellaneous programs	4,422,654	(606,243)	3,816,411	-	3,816,411	-	3,816,411	-
16	Planning and Urban Environmental Design	633,455	306,424	939,879	-	939,879	-	939,879	-
17	General Administration	2,240,596	1,195,557	3,436,153	452,401	3,888,554	-	4,159,554	(271,000)
18	Neighborhood delivery/contingencies	1,271,384	(387,738)	883,646	-	883,646	-	883,646	-
		\$ 22,348,000	\$ 320,242	\$ 22,668,242	\$ 5,267,225	\$ 27,935,467	\$ 28,206,467	\$ 28,206,467	\$ (271,000)

Line	Cost Category	Authorized Costs	Transfers and Additions (Net)	Revised Authorized Costs	Unrecorded Budget Revisions (Note E)	Auditors' Adjusted Authorized Costs	Expenditures		Budget Variance
							Previously Reported	Current Period	
Program Year 30 (2004): CDBG No. B-04-MC-36-0001									
1	Acquisition of real property	\$ 111,861	\$ (14,969)	\$ 96,892	\$ -	\$ 96,891	\$ -	\$ 96,891	\$ -
2	Disposition	621,015	(16,194)	604,821	-	604,821	-	604,821	(1)
3	Public facilities and improvements	2,182,641	13,398	2,196,039	-	2,196,039	890	2,179,557	16,482
4	Clearance activities	1,359,936	778,112	2,138,048	-	2,138,048	-	2,138,048	-
5	Public services	2,537,307	124,598	2,661,905	-	2,661,905	-	2,661,905	-
6	Neighborhood Impact Team	-	39,704	39,704	-	39,704	-	39,704	-
13	Homeownership activities	139,491	33,461	172,952	-	172,952	-	172,952	-
14	Rehabilitation and preservation activities	1,957,905	3,952,884	5,910,789	-	5,563,788	640	5,564,428	346,361
15	Code enforcement	1,297,079	(839,801)	457,278	-	457,278	-	457,278	-
17	Commercial/Industrial Improvements	167,275	(121,142)	46,133	-	46,133	-	46,133	-
18	Direct economic development assistance	5,950,804	852,729	6,803,533	1,821,774	8,625,307	18,343	8,369,004	256,303
20	Planning	1,360,743	(53,649)	1,307,094	-	1,300,589	-	1,300,589	6,505
21	General Administration and Fair Housing	1,864,943	875,173	2,740,116	-	2,740,116	-	2,740,116	-
		\$ 19,551,000	\$ 5,624,306	\$ 25,175,306	\$ 1,821,774	\$ 26,997,079	\$ 19,874	\$ 26,371,427	\$ 625,650

See accompanying notes to supplementary financial information on federal, state and local grant programs.

(Continued)

**CITY OF BUFFALO URBAN RENEWAL AGENCY
STATEMENT OF PROGRAM COSTS
COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS - ENTITLEMENT
FOR THE YEAR ENDED JUNE 30, 2011**

Line	Cost Category	Authorized Costs	Transfers and Additions (Net)	Revised Authorized Costs	Unrecorded Budget Revisions (Note E)	Auditors' Adjusted Authorized Costs	Expenditures		Budget Variance
							Previously Reported	Current Period	
Program Year 31 (2005): CDBG No. B-05-MC-36-0001									
1	Acquisition of real property	\$ 111,861	\$ (23,998)	\$ 87,863	-	\$ 87,863	\$ -	\$ 87,863	\$ -
2	Disposition	549,962	331,086	881,048	-	881,048	-	881,048	-
3	Public facilities and improvements	2,494,489	(985,684)	1,508,805	-	1,498,460	-	1,498,460	10,345
4	Clearance activities	1,754,097	407,259	2,161,356	-	2,120,803	40,550	2,161,353	3
5	Public services	2,241,987	10,301	2,252,288	-	2,252,288	-	2,252,288	-
6	Neighborhood Impact Team	-	-	-	-	-	-	-	-
13	Homeownership activities	64,949	33,245	98,194	-	98,194	-	98,194	0
14	Rehabilitation and preservation activities	1,859,482	276,418	2,135,900	-	2,135,900	1,150	1,131,234	1,004,666
15	Code enforcement	983,745	(595,802)	387,943	-	387,943	-	387,943	-
17	Commercial/Industrial Improvements	167,275	(147,105)	20,170	-	20,170	-	20,170	-
18	Direct economic development assistance	4,538,303	2,943,454	7,481,757	2,116,159	9,597,916	-	9,501,352	96,565
20	Planning	1,025,726	(24,883)	1,000,843	-	1,000,843	-	985,761	15,082
21	General Administration and Fair Housing	2,266,349	813,929	3,080,278	-	3,080,278	-	3,080,279	(1)
		\$ 18,058,225	\$ 3,038,221	\$ 21,096,446	\$ 2,116,159	\$ 23,212,605	\$ 41,700	\$ 22,085,945	\$ 1,126,661

Line	Cost Category	Authorized Costs	Transfers and Additions (Net)	Revised Authorized Costs	Unrecorded Budget Revisions (Note E)	Auditors' Adjusted Authorized Costs	Expenditures		Budget Variance
							Previously Reported	Current Period	
Program Year 32 (2006): CDBG No. B-06-MC-36-0001									
1	Acquisition of real property	\$ 122,684	\$ (23,314)	\$ 99,370	-	\$ 99,370	\$ -	\$ 99,370	\$ -
2	Disposition	620,275	174,488	794,763	-	794,763	-	794,763	-
3	Public facilities and improvements	620,228	(211,149)	409,079	-	409,079	-	349,679	59,400
4	Clearance activities	630,415	7,169	637,584	-	637,584	-	637,584	-
5	Public services	1,992,726	(49,043)	1,943,683	-	1,943,683	-	1,943,683	-
6	Neighborhood Impact Team	-	-	-	-	-	-	-	-
13	Homeownership activities	1,025,952	(919,950)	106,002	-	106,002	-	106,002	-
14	Rehabilitation and preservation activities	2,658,386	2,353,554	5,011,940	-	5,011,940	43,650	3,113,765	1,898,175
15	Code enforcement	478,476	(262,909)	215,567	-	215,567	-	215,567	-
17	Commercial/Industrial Improvements	-	-	-	-	-	-	-	-
18	Direct economic development assistance	5,340,543	801,620	6,142,163	1,721,284	7,863,447	3,497	6,907,050	956,397
20	Planning	1,147,190	36,480	1,183,670	-	1,183,670	-	1,084,390	99,280
21	General Administration and Fair Housing	1,910,838	1,104,783	3,015,621	-	3,015,621	-	3,015,621	-
		\$ 16,547,713	\$ 3,011,729	\$ 19,559,442	\$ 1,721,284	\$ 21,280,726	\$ 47,147	\$ 18,267,474	\$ 3,013,252

See accompanying notes to supplementary financial information on federal, state and local grant programs.

(Continued)

**CITY OF BUFFALO URBAN RENEWAL AGENCY
STATEMENT OF PROGRAM COSTS
COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS - ENTITLEMENT
FOR THE YEAR ENDED JUNE 30, 2011**

Line	Cost Category	Authorized Costs	Transfers and Additions (Net)	Revised Authorized Costs	Unrecorded Budget Revisions (Note E)	Auditors' Adjusted Authorized Costs	Expenditures		Cumulative	Budget Variance
							Previously Reported	Current Period		
Program Year 33 (2007): CDBG No. B-07-MC-36-0001										
1	Acquisition of real property	\$ 104,900	\$ 26,771	\$ 131,671	\$ -	\$ 131,671	\$ 106,195	\$ -	\$ 106,195	\$ 25,476
2	Disposition	624,375	(29,274)	595,101	-	595,101	551,551	-	551,551	43,550
3	Public facilities and improvements	840,767	(253,792)	586,975	-	586,975	418,316	69,295	487,611	99,364
4	Clearance activities	923,962	210,093	1,134,055	-	1,134,055	820,553	279,817	1,100,370	33,685
5	Public services	2,116,849	(119,207)	1,997,642	-	1,997,642	1,997,642	-	1,997,642	-
6	Neighborhood Impact Team	-	-	-	-	-	-	-	-	-
13	Homeownership activities	1,331,338	(1,178,255)	153,103	-	153,103	153,103	-	153,103	-
14	Rehabilitation and preservation activities	2,151,420	1,494,557	3,645,977	-	3,645,977	2,739,080	563,281	3,302,361	343,616
15	Code enforcement	17,102	(17,102)	-	-	-	-	-	-	-
17	Commercial/Industrial Improvements	-	-	-	-	-	-	-	-	-
18	Direct economic development assistance	5,487,312	2,596,995	8,084,307	3,757,173	11,841,480	10,281,553	463,776	10,745,329	1,096,151
20	Planning	669,200	215,416	884,616	-	884,616	822,397	-	822,397	62,219
21	General Administration and Fair Housing	2,242,983	549,095	2,792,078	-	2,792,078	2,523,949	-	2,523,949	268,129
		\$ 16,510,228	\$ 3,495,298	\$ 20,005,526	\$ 3,757,173	\$ 23,762,699	\$ 20,414,339	\$ 1,376,169	\$ 21,790,508	\$ 1,972,191
Program Year 34 (2008): CDBG No. B-08-MC-36-0001										
1	Acquisition of real property	\$ 108,646	\$ -	\$ 108,646	\$ -	\$ 108,646	\$ 64,097	\$ -	\$ 64,097	\$ 44,549
2	Disposition	476,838	(166,340)	310,498	-	310,498	285,521	(1,449)	284,072	26,426
3	Public facilities and improvements	872,622	1,613,005	2,485,627	-	2,485,627	2,261,022	90,647	2,351,669	133,958
4	Clearance activities	738,715	409,550	1,148,265	-	1,148,265	775,232	299,865	1,075,097	73,168
5	Public services	2,348,142	(13,178)	2,334,964	-	2,334,964	2,226,142	-	2,226,142	108,822
6	Neighborhood Impact Team	-	-	-	-	-	-	-	-	-
13	Homeownership activities	1,255,919	(886,296)	369,623	-	369,623	106,677	-	106,677	262,946
14	Rehabilitation and preservation activities	2,588,107	1,645,649	4,233,756	-	4,233,756	1,538,926	1,333,949	2,872,875	1,360,881
18	Direct economic development assistance	4,588,991	(100,701)	4,488,290	-	4,488,290	2,810,974	-	2,810,974	1,677,316
19	Non-Profit Organization Capacity	33,450	-	33,450	-	33,450	23,142	-	23,142	10,308
20	Planning	1,354,444	146,416	1,500,860	-	1,500,860	1,119,641	50,000	1,169,641	331,219
21	General Administration and Fair Housing	1,511,406	471,273	1,982,679	-	1,982,679	1,719,395	(88,249)	1,631,146	351,533
		\$ 15,877,280	\$ 3,119,378	\$ 18,996,658	\$ -	\$ 18,996,658	\$ 12,930,769	\$ 1,684,763	\$ 14,615,532	\$ 4,381,126

(Continued)

See accompanying notes to supplementary financial information on federal, state and local grant programs.

**CITY OF BUFFALO URBAN RENEWAL AGENCY
STATEMENT OF PROGRAM COSTS
COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS - ENTITLEMENT
FOR THE YEAR ENDED JUNE 30, 2011**

Line	Cost Category	Authorized Costs	Transfers and Additions (Net)	Revised Authorized Costs	Unrecorded Budget Revisions (Note E)	Auditors' Adjusted Costs	Expenditures		Cumulative	Budget Variance
							Previously Reported	Current Period		
Program Year 35 (2009): CDBG No. B-09-MC-36-0001										
1	Acquisition of real property	\$ 120,259	\$ (120,259)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Disposition	243,728	(243,719)	9	-	9	(813)	9	-	-
3	Public facilities and improvements	730,421	118,562	848,983	-	848,983	165,523	28,595	194,118	654,865
4	Clearance activities	1,191,217	268,396	1,459,613	-	1,459,613	671,168	178,761	849,929	609,684
5	Public services	2,612,096	9,238	2,621,334	-	2,621,334	2,182,314	121,011	2,303,325	318,009
6	Neighborhood Impact Team	-	-	-	-	-	-	-	-	-
13	Homeownership activities	424,710	-	424,710	-	424,710	54,136	60,497	114,633	310,077
14	Rehabilitation and preservation activities	2,891,120	966,791	3,857,911	-	3,857,911	110,411	649,365	759,776	3,098,135
18	Direct economic development assistance	4,922,538	199,455	5,121,993	-	5,121,993	2,743,010	299,192	3,042,202	2,079,791
19	Non-Profit Organization Capacity	1,503,067	(300,000)	1,203,067	-	1,203,067	743,575	-	743,575	459,492
20	Planning	1,452,366	907,474	2,359,840	-	2,359,840	1,650,291	164,909	1,815,200	544,640
21	General Administration and Fair Housing	16,091,522	1,805,937	17,897,459	-	17,897,459	8,321,250	1,501,517	9,822,767	8,074,692
		\$ 17,409,073	\$ 3,536,584	\$ 20,945,657	\$ -	\$ 20,945,657	\$ 11,502,833	\$ 11,362,767	\$ 12,513,600	\$ 8,432,057
Program Year 36 (2010): CDBG No. B-10-MC-36-0001										
1	Acquisition of real property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Disposition	-	-	-	-	-	-	-	-	-
3	Public facilities and improvements	2,146,983	693,515	3,499,274	-	3,499,274	3,329	2,338,891	2,342,220	1,157,054
4	Clearance activities	2,576,328	363,313	3,598,416	-	3,598,416	39,988	3,010,096	3,050,084	548,332
5	Public services	2,663,728	3,940	2,667,668	-	2,667,668	-	2,338,279	2,338,279	329,389
6	Neighborhood Impact Team	-	-	-	-	-	-	-	-	-
13	Homeownership activities	344,710	-	344,710	-	344,710	1,497	30,524	32,021	312,689
14	Rehabilitation and preservation activities	2,410,312	269,886	2,680,198	-	2,680,198	2,574	416,662	419,236	2,260,962
15	Code enforcement	353,627	-	353,627	-	353,627	-	174,666	174,666	178,961
18	Direct economic development assistance	2,827,530	2,055,930	4,883,460	-	4,883,460	731,516	870,980	1,602,496	3,280,964
19	Non-Profit Organization Capacity	1,510,578	-	1,510,578	-	1,510,578	41,873	837,352	879,225	631,353
20	Planning	1,257,726	150,000	1,407,726	-	1,407,726	330,056	1,345,317	1,675,373	(267,647)
21	General Administration and Fair Housing	1,317,551	-	-	-	-	-	-	-	-
	Unallocated budget line amounts	\$ 17,409,073	\$ 3,536,584	\$ 20,945,657	\$ -	\$ 20,945,657	\$ 11,502,833	\$ 11,362,767	\$ 12,513,600	\$ 8,432,057

(Continued)

See accompanying notes to supplementary financial information on federal, state and local grant programs.

**CITY OF BUFFALO URBAN RENEWAL AGENCY
STATEMENT OF PROGRAM COSTS
COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS - ENTITLEMENT
FOR THE YEAR ENDED JUNE 30, 2011**

Line Cost Category	Authorized Costs	Transfers and Additions (Net)	Revised Authorized Costs	Unrecorded Budget Revisions (Note E)	Auditors' Adjusted Authorized Costs	Expenditures		Budget Variance
						Previously Reported	Current Period	
<u>Program Year 37 (2011): CDBG No. B-09-MC-36-0001</u>								
1 Acquisition of real property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2 Disposition	-	-	-	-	-	-	-	-
3 Public facilities and improvements	-	-	-	-	-	9,033	9,033	(9,033)
4 Clearance activities	-	-	-	-	-	111,212	111,212	(111,212)
5 Public services	-	-	-	-	-	98,818	98,818	(98,818)
6 Neighborhood Impact Team	-	-	-	-	-	-	-	-
13 Homeownership activities	-	-	-	-	-	5,907	5,907	(5,907)
14 Rehabilitation and preservation activities	-	-	-	-	-	21,742	21,742	(21,742)
15 Code Enforcement	-	-	-	-	-	-	-	-
18 Direct economic development assistance	-	-	-	-	-	532,127	532,127	(532,127)
19 Non-Profit Organization Capacity	-	-	-	-	-	-	-	-
20 Planning	-	-	-	-	-	148,091	148,091	(148,091)
21 General Administration and Fair Housing	-	-	-	-	-	470,190	470,190	(470,190)
Unallocated budget line amounts	14,540,753	-	14,540,753	-	14,540,753	-	-	14,540,753
	\$ 14,540,753	\$ -	\$ 14,540,753	\$ -	\$ 14,540,753	\$ 1,397,120	\$ 1,397,120	\$ 13,143,633

See accompanying notes to supplementary financial information on federal, state and local grant programs.

**CITY OF BUFFALO URBAN RENEWAL AGENCY
NOTES TO SUPPLEMENTARY FINANCIAL INFORMATION ON FEDERAL, STATE AND
LOCAL GRANT PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2011**

Note A – Organization and Basis of Presentation

Organization and Administration

The City of Buffalo, New York is the recipient of various grant programs funded by Federal, New York State and local government agencies. The administration of the grant programs described herein has been delegated to the City of Buffalo Urban Renewal Agency (BURA). The City of Buffalo's Office of Financial Control of Agencies, under the Department of Administration and Finance, performs the disbursing, accounting and financial reporting functions for all grants under the administration of BURA.

Fund Classification and Presentation

Programs funds have been classified as either general funds or special revenue funds (governmental fund types) in the financial statements.

Included in BURA's General Fund are proceeds from previously closed out grant programs. BURA's Special Revenue Funds account for the proceeds of Federal Community Development Block Grants (Metropolitan Entitlement), HOME Grants, certain Federal Urban Development Action Grants, and various other sources of restricted revenue.

Basis of Accounting

Transactions for all grant programs are presented on the modified accrual basis of accounting in the financial statements of BURA. Under the modified accrual basis, grant revenues are recognized when accruable, which in most cases, is when grant expenditures are made. Any grant funds received in excess of grant expenditures recognized are classified as deferred revenues; any excess of allowable grant expenditures over cash receipts is recorded as a receivable from the grantor.

For purposes of presentation in the supplementary financial information, all Federal, state and local funding, including program income, has been presented on a cash receipts basis. This departure from generally accepted accounting principles is intended to illustrate the accountability of BURA for cash draw downs and advances received from its funding sources, as well as for program income received. Program expenditures have been presented on a modified accrual basis, consistent with their presentation in the financial statements.

**CITY OF BUFFALO URBAN RENEWAL AGENCY
NOTES TO SUPPLEMENTARY FINANCIAL INFORMATION ON FEDERAL, STATE AND
LOCAL GRANT PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2011**

Note A – Organization and Basis of Presentation -- Continued

The issuance of Community Development Block Grant (CDBG) float loans are recorded as accounts receivable and are included in the schedule of expenditures of federal awards. Repayments of CDBG float loan principal reduce the receivable balance while interest received is recognized as program income.

Program Income

Program income represents funds actually received from various sources, principally sales of real estate acquired with program funds, repayments of principal and interest on loans made with program funds, rentals of properties acquired with program funds, and collections from property owners on demolitions financed by program funds.

Transfers of Funds and Local Contributions

Local matching contributions are required by certain Federal grants. The percentages of matching contributions vary with each program and the amount of the matching contributions at a given point in time depends upon what particular grants or programs exist. Matching contributions from other non-BURA funds are classified as transfers in/(out).

Note B – Subgrantees

A substantial portion of BURA's grant expenditures under the Community Development Block Grant (CDBG) program, the Section 8 Housing Subsidy program, and other grant programs are made to various not-for-profit subgrantee organizations. These organizations, in turn, direct grant funds to the ultimate recipients. In the case of community-based organizations, detailed periodic financial reports are required as a condition to continued funding by BURA. In many cases, independent audits on an entity-wide or specific contract basis are also required to assist BURA in determining if grant funds are used in accordance with grant requirements.

**CITY OF BUFFALO URBAN RENEWAL AGENCY
NOTES TO SUPPLEMENTARY FINANCIAL INFORMATION ON FEDERAL, STATE AND
LOCAL GRANT PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2011**

Note C – Questioned Costs and Grantor Audits

The questioned costs summarized in the supplementary financial information represent audit findings by BURA's independent auditors, engaged by the City of Buffalo. These audit findings detail those costs charged to grant programs which, in the auditors' opinion, merit special consideration as to their allowability. In general, costs are questioned upon audit for one of the following reasons:

- They appear to be insufficiently documented or lack proper authorization.
- They appear to exceed a program budget category.
- They appear to be of a type specifically not allowed by the terms of a grant contract or by governmental statutes or regulations governing the programs funded.

These questioned costs, described in detail in the compliance section of the independent auditors' report, are subject to review and response thereto by BURA officials to substantiate their allowability under funding agreements. These costs, together with BURA's responses, will be reviewed by officials of the governmental funding agencies in order to determine their ultimate allowability. Moreover, grantor agencies reserve the right to conduct additional audits of BURA's grant programs, which could result in additional disallowed expenditures. BURA's management believes that the amount of any costs ultimately disallowed will not be material.

Note D – Budgetary Transfers

The supplementary financial information specifically relating to the Community Development Block Grant (CDBG) program details budgetary transfers between program years. These interyear transfers are utilized by BURA to "roll forward" uncompleted CDBG projects to a current program year, thus enabling the accounts of earlier years to be "closed out" on a more timely basis. Budgetary transfers may also redistribute spending authority for unused funds.

**CITY OF BUFFALO URBAN RENEWAL AGENCY
 NOTES TO SUPPLEMENTARY FINANCIAL INFORMATION ON FEDERAL, STATE AND
 LOCAL GRANT PROGRAMS
 FOR THE YEAR ENDED JUNE 30, 2011**

Note D -- Budgetary Transfers -- Continued

Funds reprogrammed through June 30, 2010:

From 1975 Program Year	\$ 1,909,643
From 1976 Program Year	1,287,557
From 1977 Program Year	1,673,434
From 1978 Program Year	3,622,534
From 1979 Program Year	5,491,781
From 1980 Program Year	537,699
From 1981 Program Year	(4,181,265)
From 1982 Program Year	8,219,370
From 1983 Program Year	(4,649,619)
From 1984 Program Year	(1,564,984)
From 1985 Program Year	(1,282,342)
From 1986 Program Year	2,505,483
From 1987 Program Year	(2,609,292)
From 1988 Program Year	1,605,326
From 1989 Program Year	(166,310)
From 1990 Program Year	40,244
From 1991 Program Year	635,286
From 1992 Program Year	2,103,591
From 1993 Program Year	(10,843,823)
From 1994 Program Year	(294,691)
From 1995 Program Year	(875,494)
From 1997 Program Year	152,533
From 1998 Program Year	(1,716,325)
From 1999 Program Year	(183,398)
From 2000 Program Year	1,035,908

(Continued)

**CITY OF BUFFALO URBAN RENEWAL AGENCY
NOTES TO SUPPLEMENTARY FINANCIAL INFORMATION ON FEDERAL, STATE AND
LOCAL GRANT PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2011**

Note D – Budgetary Transfers – Continued

From 2001 Program Year	\$ (1,292,020)
From 2002 Program Year	(1,233,884)
From 2003 Program Year	1,522,409
From 2004 Program Year	3,947,188
From 2005 Program Year	1,216,122
From 2006 Program Year	1,620,984
From 2007 Program Year	3,076,446
From 2008 Program Year	4,374,937
From 2009 Program Year	1,333,361
From 2010 Program Year	<u>60,844</u>
	17,079,233
Allocation to Emergency Jobs Bill	<u>(180,501)</u>
Total Funds Reprogrammed through June 30, 2010	<u>\$ 16,898,732</u>

Note E – Unrecorded Budget Revisions

Because certain BURA grants are funded on a reimbursement basis, BURA has found it necessary to use other sources of revenues to pay for allowable grant expenditures. Upon submission to the grantor agency, the funds are reimbursed to BURA and the initial sources of revenue are restored.

Generally, BURA advances most expenditures for such grants from its CDBG program. However, as amounts were advanced from CDBG, these advances were erroneously reported as program costs of CDBG, as well as program costs of the other grant programs. As reimbursements of such costs were transferred to the CDBG program accounts, they were improperly classified as CDBG program income and subsequently reprogrammed for other urban rehabilitation activities. To avoid duplication of such amounts, these expenditures, and the related reimbursements recorded as program income, have been reclassified in the supplementary financial information presented in the following pages but have not been corrected in the budgetary records of the CDBG program.

**CITY OF BUFFALO URBAN RENEWAL AGENCY
 NOTES TO SUPPLEMENTARY FINANCIAL INFORMATION ON FEDERAL, STATE AND
 LOCAL GRANT PROGRAMS
 FOR THE YEAR ENDED JUNE 30, 2011**

Note E – Unrecorded Budget Revisions – Continued

Amounts presented in the CDBG Statement of Source and Status of Funds – Entitlement and the CDBG Statement of Program Costs – Entitlement under the caption “Unrecorded Budget Revisions” include the elimination of the reimbursements recorded as program income, which were subsequently programmed for other use. These amounts had erroneously been included in the adjusted program budgets for each CDBG program year. Reducing budgetary amounts for the eliminated non-CDBG program income results in revised totals which detail funds available solely for CDBG activities.

Also included in the CDBG Statement of Source and Status of Funds – Entitlement and the CDBG Statement of Program Costs – Entitlement under the caption “Unrecorded Budget Revisions” are program income amounts earned by subrecipients and programmed by them for other eligible activities. These amounts have been included in the adjusted program income amounts reported by BURA. The corresponding expenditure of this income has also been reported by BURA but the amounts were not reflected in BURA’s program budgets for each CDBG program year. Adding budgetary amounts for the subrecipient program income and expenditures results in revised totals which detail all funds available for CDBG activities. Furthermore, this subrecipient activity is also required to be included in reports to grantors to provide a complete picture of the use of grant funds.

Year 22

Direct Economic Development Assistance

- Addition of Program Funds Earned by BURA Subrecipient,
the Buffalo Economic Renaissance Corporation (BERC) \$ 4,814,824

General Administration

- Payroll Adjustment 9,741
- Addition of Program Funds Earned by BURA Subrecipient,
the Buffalo Economic Renaissance Corporation (BERC) 431,294
- Elimination of Duplicated Housing Trust Fund II Program Activity 43
- Elimination of Unallowable Bad Debt Expense 11,323
- 452,401

Total Year 22 5,267,225

**CITY OF BUFFALO URBAN RENEWAL AGENCY
NOTES TO SUPPLEMENTARY FINANCIAL INFORMATION ON FEDERAL, STATE AND
LOCAL GRANT PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2011**

Note E – Unrecorded Budget Revisions – Continued

Year 30

Direct Economic Development Assistance

- Addition of Program Funds Earned by BURA Subrecipient, the Buffalo Economic Renaissance Corporation (BERC)	<u>1,821,774</u>
Total Year 30	<u>1,821,774</u>

Year 31

Direct Economic Development Assistance

- Addition of Program Funds Earned by BURA Subrecipient, the Buffalo Economic Renaissance Corporation (BERC)	<u>2,116,159</u>
Total Year 31	<u>2,116,159</u>

Year 32

Direct Economic Development Assistance

- Addition of Program Funds Earned by BURA Subrecipient, the Buffalo Economic Renaissance Corporation (BERC)	<u>1,721,284</u>
Total Year 32	<u>1,721,284</u>

Year 33

Direct Economic Development Assistance

- Addition of Program Funds Earned by BURA Subrecipient, the Buffalo Economic Renaissance Corporation (BERC)	<u>3,757,173</u>
Total Year 33	<u>3,757,173</u>
Total	<u>\$14,683,615</u>



**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 Darby R. Fishkin
Interim Comptroller of the City of Buffalo
Buffalo, New York

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Buffalo Urban Renewal Agency ("BURA"), as of and for the year ended June 30, 2011, which collectively comprise BURA's basic financial statements and have issued our report thereon dated November 9, 2011. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered BURA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BURA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of BURA's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2011-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BURA's financial statements are free of 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 determination of financial statement amounts. 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*.

We noted certain other matters that we reported to the management of BURA in a separate letter dated November 9, 2011.

This report is intended solely for the information and use of management, the City of Buffalo, City of Buffalo Financial Control Board, The Common Council of the City of Buffalo, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



November 9, 2011

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To Darby R. Fishkin
Interim Comptroller of the City of Buffalo
Buffalo, New York

Compliance

We have audited the City of Buffalo Urban Renewal Agency's ("BURA") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of BURA's major federal programs for the year ended June 30, 2011. BURA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of BURA's management. Our responsibility is to express an opinion on BURA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about BURA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of BURA's compliance with those requirements.

In our opinion, BURA complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

The Management of BURA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered BURA's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of BURA's 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

BURA's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit BURA's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the City of Buffalo, City of Buffalo Financial Control Board, The Common Council of the City of Buffalo, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Danao ; D. K. P.

November 9, 2011

**CITY OF BUFFALO URBAN RENEWAL AGENCY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2011**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? Yes X None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (Section .510 (a))?

Yes X No

Identification of major programs included the following:

	<u>CFDA Number</u>
• Community Development Block Grants	14.218
• Section 8 Housing Subsidy Program	14.156
• HOME Investment Partnerships Program	14.239
• Emergency Shelter Grants Program	14.231

Dollar threshold used to distinguish between Type A and Type B programs:

\$1,948,018

Auditee qualified as low-risk auditee?

Yes X No

**CITY OF BUFFALO URBAN RENEWAL AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

II. FINANCIAL STATEMENT FINDING

Finding 2011-01

Condition: During the course of our audit, we identified and proposed two significant adjusting journal entries which were material to the financial statements taken as whole and which were not detected and corrected by BURA's internal controls. These entries surrounded the accounting for accounts payable, revenues and expenses.

Criteria: A key element of financial reporting is the ability of management to select and apply appropriate accounting principles to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.

Effect: Financial statements were initially not in accordance with accounting principles generally accepted in the United States of America.

Cause: Based on the magnitude of the required adjusting journal entries, it was noted that monitoring controls over financial reporting were not completely effective during the year ended June 30, 2011.

Recommendation: We recommend that management develop formal procedures surrounding the timing issues of all financial statements and related accounts in order to ensure that financial statements are presented in accordance with accounting principles generally accepted in the United States.

Management's Reply: BURA's Internal Control Process and Procedures (ICPP) documentation has a target completion date of March 31, 2011. A critical element of ICPP, Part II: Components of Internal Control is the "Year-End Close and Reporting Module". The objective of the Year-End Close and Reporting Module is to identify the processes to be performed in preparation for the annual independent audit. The processes that are developed within this module will specify the tasks to be performed and eliminate the ambiguity that has contributed to improperly accruing invoices received after the end of the fiscal year. These tasks will also serve as the foundation for the monitoring controls necessary in evaluating the accounts payable process.

**CITY OF BUFFALO URBAN RENEWAL AGENCY
STATUS OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Finding 2010-01

Condition: During the course of our audit, we identified and proposed three significant adjusting journal entries which were material to the financial statements taken as whole and which were not detected and corrected by BURA's internal controls. These entries surrounded the accounting for accounts payable, revenues and expenses.

Criteria: A key element of financial reporting is the ability of management to select and apply appropriate accounting principles to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.

Effect: Financial statements were initially not in accordance with accounting principles generally accepted in the United States of America.

Cause: Based on the magnitude of the journal entries, it was noted that monitoring controls over financial reporting were not completely effective during the year ended June 30, 2010.

Recommendation: We recommend that management develop formal procedures surrounding the timing issues of all financial statements and related accounts in order to ensure that financial statements are presented in accordance with generally accepted accounting principles.

Management's Reply: We concur and will establish proper cutoff procedures and notify all affected parties in a timely manner. Additionally, we are in the process of hiring an executive director and an additional accountant to provide day-to-day management and oversight and to ensure financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

Status of Prior Year Findings: We identified two additional significant adjusting journal entries during our audit for the year ended June 30, 2011. See Finding 2011-01 above.

Finding 2010-02

Condition: We noted inadequate subrecipient monitoring for Section 8 funds passed through to the Rental Assistance Corporation of Buffalo (RACB). BURA does not have procedures in place to ensure that submission and review of audits were performed in accordance with the OMB Circular A-133 Compliance Supplement for this program. BURA employees only monitored the submission of A-133 reports of their subrecipients when requested by the auditors. Additionally, there was no documentation of site visits.

Criteria: Per the OMB Circular A-133 June 2010 Compliance Supplement, BURA is required to ensure that subrecipients who receive and expend more than \$500,000 in Federal funds are subject to an A-133 audit as required by the Office of Management and Budget. Non-submission of the required audits would result in non-compliance of this requirement.

Effect: Failure to monitor the A-133 audits of the subrecipients could result in undetected unallowable activities, resulting in unallowable costs or non-eligibility of the program.

Cause: Lack of appropriate subrecipient monitoring procedures and inadequate oversight.

Recommendation: We recommend that BURA include in its subrecipient monitoring procedures the submission of A-133 audits to ensure that required reports are submitted in a timely manner in accordance with the compliance requirements of the program.

Management's Reply: We concur and will include the submission of A-133 audits in our subrecipient monitoring procedures.

Status of Prior Year Findings: This matter has been resolved. We noted that sufficient oversight of RACB occurred during the year ended June 30, 2011.

**CITY OF BUFFALO URBAN RENEWAL AGENCY
STATUS OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Finding 2010-03

Condition: During the course of our audit, we noted deficiencies in BURA's overall control environment. Specifically, we noted insufficient governance of BURA due to: a) lack of formal audit committee; and b) lack of a director or other executive charged with day-to-day management and oversight. Additionally, BURA lacks a formal, documented whistleblower policy as well as an employee handbook with rules and standards of conduct.

Criteria: The A-102 Common Rule and OMB Circular A-110 require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Effect: Failure to implement sufficient internal controls could result in undetected instances of non-compliance with program requirements, resulting in unallowable costs or non-eligibility of the program.

Cause: A lack of governance, oversight, and the failure to implement formal written policies.

Recommendation: We recommend that BURA hire a Director of Administration and Finance immediately and implement an audit committee within the next fiscal year to maintain proper oversight and management. Additionally, BURA should improve the control environment through the addition of a formal whistleblower policy and employee handbook.

Management's Reply: We concur and are in the process of hiring an executive director and an additional accountant to provide day-to-day management and oversight. We will consult with legal counsel and our payroll service provider regarding implementation of a formal written whistleblower policy and an employee handbook.

Status of Prior Year Findings: This matter has been resolved. We noted that an audit committee was established and an executive director was hired during the year ended June 30, 2011.

Finding 2009-01

Condition: BURA's Community Development Block Grant (CDBG) accounting system is primarily designed to accomplish the reporting requirements of BURA's CDBG program. Because CDBG reporting requirements differ from those required by GAAP, BURA's accounting records do not provide for the preparation of financial statements in accordance with GAAP.

Criteria: Governmental Accounting Board (GASB) Standard No. 34 requires two groups of basic financial statements. The first group of basic financial statements required by GASB Standard No. 34 is the government-wide financial statements. These statements are comprised of a statement of net assets and a statement of activities. The government-wide financial statements must be prepared using the economic resources measurement focus and the full accrual basis of accounting. The second group of basic financial statements required by GASB Standard No. 34 is the fund financial statements. Funds used by governments fall into three broad categories - governmental, proprietary, and fiduciary. Fund financial statements are presented for each fund category with the reporting emphasis on individual major funds. Since governmental funds will continue to be reported on the modified accrual basis of accounting in the fund financial statements, many governments are expected to only record the accruals as adjusting entries when preparing the government-wide financial statements.

**CITY OF BUFFALO URBAN RENEWAL AGENCY
STATUS OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Finding 2009-01 (Continued)

Effect: Resources received by governmental units from other governments are frequently accompanied by legal or contractual requirements that govern their use and often include special accounting and reporting requirements. When accounting and reporting requirements for such resources are not consistent with generally accepted accounting principles (GAAP), the recipient government must provide for the accomplishment of both (a) accounting and reporting in conformity with GAAP, and (b) accounting and reporting in accordance with the legal or contractual requirements. A properly designed accounting system will enable simultaneous accomplishment of both of these objectives. If the accounting system will not accommodate both objectives, it may be necessary to maintain supplemental accounting records. Failure to comply with legal or contractual requirements could result in loss of grant funding.

Cause: BURA's CDBG accounting records are kept on a cumulative basis to assist in tracking activities for programs with grant periods lasting more than one year. Although this facilitates grant reporting, this method does not provide the information necessary to prepare financial statements in accordance with GAAP.

Recommendation: We recommend that BURA develop an accounting system, which allows reporting of revenue and expenditures by fiscal year. We also recommend that BURA complete the financial reporting project begun several years ago. This computer module would allow reporting of single year operating data while maintaining the cumulative grant data necessary to meet grant reporting requirements. We recommend that BURA's management take steps to alleviate the deficiencies noted above. To alleviate this finding, management must take steps to provide accounting staff with sufficient training to recognize GAAP requirements and to record transactions accordingly. Management must also assess current practices and evaluate reports generated by BURA's systems to determine how they may be modified to address the reporting mandates resulting from grant regulations and from generally accepted accounting principles. Failure to address these issues has resulted in numerous audit adjustments, which were necessary to avoid potential misstatements in BURA's financial statements.

Management's Reply: BURA's Management and select staff member have met with the City of Buffalo Comptroller's staff and the accounting/systems staff of the Town of Amherst to solicit input as to the systems currently in use, their shortcomings and the options available to BURA in order to prepare year-end financial statements according to GAAP and accommodate the reporting requirements of HUD. The RFQ is expected to be published the week of December 5, 2011 and the vendor/system selected the week of December 28, 2011. The schedule for system development is January through March, and data conversion and testing is April through May 2012. BURA expects to begin reporting via the new system July 1, 2012.

Status of Prior Year Findings: There has been no change in the status of prior year findings. Due to the limitations of BURA's accounting system, as described above, management has indicated that it needs additional time to evaluate and develop an accounting system which allows for the reporting of revenue and expenditures by fiscal year.