

## **Independent Auditors' Report**

Board of Commissioners  
Buffalo Municipal Housing Authority  
Buffalo, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Buffalo Municipal Housing Authority (the Authority), which comprise the statement of net position as of June 30, 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditors' Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Christopher Lawson Allen LLP". The signature is written in a cursive, flowing style.

Baltimore, Maryland  
March 20, 2015

**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**Buffalo, New York**

**BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

## TABLE OF CONTENTS

	PAGE
<b>INDEPENDENT AUDITOR'S REPORT .....</b>	<b>1</b>
 <b>REQUIRED SUPPLEMENTAL INFORMATION</b>	
Management's Discussion and Analysis (MD&A) .....	4
 <b>FINANCIAL STATEMENTS.....</b>	
Statement of Net Position .....	9
Statement of Revenues, Expenses and Changes in Net Position .....	10
Statement of Cash Flows .....	11
Notes to Financial Statements.....	12
Notes to Financial Statements.....	13
 <b>REQUIRED SUPPLEMENTAL INFORMATION .....</b>	
Schedule of Funding Progress.....	30
Schedule of Funding Progress.....	31
 <b>SUPPLEMENTAL INFORMATION .....</b>	
Combining Schedule of Assets, Liabilities and Net Position .....	32
Combining Schedule of Revenue, Expenses and Changes in Net Position.....	33
Combining Schedule of Revenue, Expenses and Changes in Net Position.....	35
 Financial Data Schedules:	
Entity-Wide Balance Sheet Summary .....	36
Entity-Wide Revenue and Expense Summary.....	38
Schedule of Closed Grants.....	40
 <b>SINGLE AUDIT REPORT .....</b>	
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> .....	41
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 .....	42
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 .....	44
Schedule of Expenditures of Federal Awards .....	47
Notes to Schedule of Expenditures of Federal Awards .....	48
Schedule of Findings and Questioned Costs .....	49
Schedule of Prior Year Findings and Questioned Costs.....	56

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2014, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the Schedule of Funding Progress on Page 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Authority as a whole. The combining schedule of assets, liabilities and net position, combining schedule of revenue, expenses and changes in net position, financial data schedules and schedule of closed grants (supplemental information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is also presented for the purpose of additional analysis, and is not a required part of the basic financial statements.

The supplemental information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2015, on our consideration of the Authority'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 result of that testing, and not to provide an opinion on internal control over

**BUFFALO MUNICIPAL HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

This Management Discussion and Analysis (MDA) has been prepared in compliance with Governmental Accounting Standards Board (GASB) Statement 34. The purpose of this analysis is to provide information which is relevant for measuring the financial strength of Buffalo Municipal Housing Authority (BMHA). This analysis covers our most recently completed fiscal year in comparison with the prior fiscal year, June 30, 2014 and June 30, 2013, respectively. It is designed to assist the reader in focusing on significant financial issues; provide an overview of BMHA's financial activity; and identifies changes in BMHA's financial position (its ability to address the next and subsequent year challenges).

Since the MDA is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the separate BMHA financial statements.

**Organization**

BMHA is a public body corporate and politic pursuant to the laws of the State of New York (the State). It was created in 1937 to provide low rent housing for qualified persons in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development (HUD) and other Federal and State agencies.

The Low Rent Public Housing major funding sources are operating subsidies, rental income and, for capital expenditures, the Capital Fund Program and the Revitalization of Severely Distressed Public Housing Program.

**Basis of Presentation and Accounting**

The enterprise fund is used to account for those operations that are financed and operated in a manner similar to private business, or where the Board had decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. The intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Blended Component Units**

The Authority has 3 entities that are considered blended component units and are presented as part of the financial statements of the Authority.

**Financial Statement Analysis**

BMHA's financial statements consist of three statements – a Statement of Net Position; a Statement of Revenue, Expenses and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of BMHA.

**BUFFALO MUNICIPAL HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

**The Statement of Net Position and Statement of Revenue, Expenses and Changes in Net Position**

Our analysis of BMHA's finances begins below. One of the most important questions asked about BMHA's finances is "Is BMHA, as a whole, better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenue, Expenses and Changes in Net Position report information about BMHA's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report BMHA's net position and changes in them. You can think of BMHA's net position - the difference between assets and liabilities - as one way to measure BMHA's financial health, or financial position. Over time, increases or decreases in BMHA's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the tenant base as well as local economic factors to assess the overall health of BMHA.

**The Statement of Cash Flows**

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes resulting from operations, capital and related financing activities, and investing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

**Highlights of BMHA 2014 financial statements are as follows:**

Net working capital decreased by approximately \$3,777,000 in 2014 from \$9,393,000 at June 30, 2013 to \$5,616,000 at June 30, 2014. The current ratio decreased from 1.92:1 at June 30, 2013 to 1.43:1 at June 30, 2014.

**BUFFALO MUNICIPAL HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2014

	(\$000 Omitted)		
	2014	2013	Change
<b>Assets</b>			
Current assets	\$ 18,692	\$ 19,620	\$ (928)
Capital assets, net	130,836	132,831	(1,995)
Other	22,391	22,917	(526)
<b>Total assets</b>	<u>\$ 171,919</u>	<u>\$ 175,368</u>	<u>\$ (3,449)</u>
<b>Liabilities</b>			
Current liabilities	\$ 13,076	\$ 10,227	\$ 2,849
Noncurrent liabilities	32,136	31,695	441
<b>Total liabilities</b>	<u>45,212</u>	<u>41,922</u>	<u>3,290</u>
<b>Net position</b>			
Net investment in capital assets	105,103	106,003	(900)
Restricted	6,439	158	6,281
Unrestricted	15,165	27,284	(12,119)
<b>Total net position</b>	<u>126,707</u>	<u>133,446</u>	<u>(6,739)</u>
<b>Total liabilities and net position</b>	<u>\$ 171,919</u>	<u>\$ 175,368</u>	<u>\$ (3,449)</u>

The \$6,739,000 decrease in net position in 2014 is attributable to (losses) before depreciation and capital contributions of (\$1,787,041) in Low Income Public Housing (LIPH), (\$3,164,125) in blended component units and (\$1,581,601) in the Central Office Cost Center. Program losses were mitigated by income of \$3,003,173 on the state program. An excess of \$3,106,000 of depreciation expense over capital grant income also contributed to the decrease.

LIPH operational losses and the excess of depreciation over capital grant funding are attributed to federal budget cuts. The loss in blended component units is due to demolition and abatement of a former state public housing site. Income on the State program is due to the write off of contested accounts payable.



**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2014

	(\$000 Omitted)		
	2014	2013	Change
<b>Operating revenues</b>			
Rental revenue	\$ 12,924	\$ 12,706	\$ 218
Governmental revenue	25,744	25,935	(191)
Other revenue	7,465	1,476	5,989
Total operating revenues	46,133	40,117	6,016
<b>Operating expenses</b>			
Administrative	10,476	11,371	(895)
Tenant services	1,142	1,437	(295)
Utilities	8,358	7,162	1,196
Ordinary maintenance and operation	20,373	14,540	5,833
Protective services	1,125	595	530
General expenses	5,317	5,650	(333)
Housing assistance payments	1,725	1,659	66
Depreciation	9,353	9,058	295
Total operating expenses	57,869	51,472	6,397
Operating loss	(11,736)	(11,355)	(381)
<b>Nonoperating revenues (expenses)</b>			
Interest revenue	4	23	(19)
Interest expense	(1,253)	(1,271)	18
Casualty losses and other	(1)	9	(10)
Total nonoperating revenues (expenses)	(1,250)	(1,239)	(11)
Capital contributions	6,247	4,681	1,566
Decrease in net position	(6,739)	(7,913)	1,174
Net position, beginning of year	133,446	141,359	(7,913)
Net position, end of year	\$ 126,707	\$ 133,446	\$ (6,739)

**BUFFALO MUNICIPAL HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

**Capital Asset and Debt Administration**

	(\$000 Omitted)	
	2014	2013
Land	\$ 11,644	\$ 11,644
Buildings	375,259	374,238
Equipment	12,852	12,087
Less accumulated depreciation	399,754	397,969
	(268,918)	(265,138)
<b>Total capital assets</b>	<u>\$ 130,836</u>	<u>\$ 132,831</u>

Depreciable capital assets at June 30, 2014 reflect 2014 property additions of \$7,354,692 (improvements discussed earlier herein) offset by scheduled depreciation expense of \$9,353,277.

At June 30, 2014, BMHA had four outstanding Energy Performance Contract Municipal Lease Purchase Agreement borrowings totaling \$25,733,657 (amounts due in one year total \$1,176,760). These loans were used for energy, conservation improvements, and equipment, and have been subsidized in part as to principal and interest by grants from the New York State Energy Research & Development Authority.

**Economic Factors**

- Congressional approval of funding levels for HUD for all aspects of the Low Income Public Housing Program along with all aspects of the Assisted Housing Payments Programs.
- Local rate increases in health benefit plans, utility costs and retirement system costs.
- Local inflationary, recessionary and unemployment trends that affect resident incomes and the amount of rental income. Buffalo is below the national averages for rental income.
- Future funding reductions is a possibility for all HUD funded programs.

**Contacting the Authority's Financial Management**

This financial report is designed to provide a general overview of BMHA's finances for all with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Dawn Sanders-Garrett, Executive Director, Buffalo Municipal Housing Authority, 300 Perry Street, Buffalo, New York 14204-2299.

## FINANCIAL STATEMENTS

**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**STATEMENT OF NET POSITION**  
June 30, 2014

ASSETS	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents, unrestricted	\$ 8,133,397
Cash and cash equivalents - restricted	146,334
Cash and cash equivalents - resident security deposits	492,699
Accounts receivable, net of allowance	7,104,453
Notes and mortgages receivable, current portion	1,700,000
Inventories, net of obsolescence	807,201
Prepaid expenses	307,345
Total current assets	<u>18,691,429</u>
<b>NONCURRENT ASSETS</b>	
Notes and mortgages receivable, net of current	20,250,147
Other noncurrent assets	140,975
Investment in joint venture	2,000,000
Total other assets	<u>22,391,122</u>
	<u>130,836,341</u>
<b>CAPITAL ASSETS, net</b>	
<b>TOTAL ASSETS</b>	<u><b>\$ 171,918,892</b></u>
<b>LIABILITIES AND NET POSITION</b>	
<b>CURRENT LIABILITIES</b>	
Vendors and contractors payable	\$ 2,493,150
Accrued wages/taxes payable	345,650
Accrued compensated absences, current portion	993,699
Accrued interest payable	159,463
Due to other governments	180,704
Unearned revenue	100,685
Notes and bonds payable	1,176,760
Other current liabilities	3,608,892
Accrued utilities	3,524,032
Total current liabilities	<u>12,583,035</u>
<b>RESIDENT SECURITY DEPOSITS</b>	
	<u>492,699</u>
<b>NONCURRENT LIABILITIES</b>	
Notes and bonds payable, net of current	24,556,897
FSS escrow and replacement reserves	32,399
Accrued compensated absences, net of current	425,871
Other postemployment benefits and NYS Retirement	7,121,097
Total noncurrent liabilities	<u>32,136,264</u>
Total liabilities	<u>45,211,998</u>
<b>NET POSITION</b>	
Net investment in capital assets	105,102,684
Restricted	6,438,807
Unrestricted	15,165,403
Total net position	<u>126,706,894</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><b>\$ 171,918,892</b></u>

The accompanying notes are an integral part of these financial statements.

**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**Year Ended June 30, 2014**

<b>OPERATING REVENUES</b>	
Rental revenue	\$ 12,924,547
Fee revenue	216,976
HUD grants	25,576,296
Other governmental grants	167,550
Other revenue	<u>7,248,114</u>
Total operating revenues	<u>46,133,483</u>
<b>OPERATING EXPENSES</b>	
Administrative	10,475,967
Tenant services	1,141,910
Utilities	8,357,935
Ordinary maintenance & operation	20,373,498
Protective services	1,124,754
Insurance	2,026,960
General expenses	3,289,301
Housing assistance payments	1,725,263
Depreciation	<u>9,353,277</u>
Total operating expenses	<u>57,868,865</u>
Operating loss	<u>(11,735,382)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest revenue, unrestricted	4,044
Loss on sale of fixed assets	(1,174)
Interest expense	<u>(1,253,280)</u>
Total nonoperating revenues	<u>(1,250,410)</u>
Loss before contributions	(12,985,792)
<b>CAPITAL CONTRIBUTIONS</b>	
	<u>6,246,889</u>
DECREASE IN NET POSITION	(6,738,903)
NET POSITION, BEGINNING OF YEAR	<u>133,445,797</u>
NET POSITION, END OF YEAR	<u>\$ 126,706,894</u>

The accompanying notes are an integral part of the financial statements.

**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2014**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from dwelling rentals	\$ 12,973,623
Operating grants	25,084,338
Other receipts	1,497,376
Payments to employees	(17,225,327)
Payments to suppliers	(22,964,650)
Payments for housing assistance payments	(1,725,263)
Net cash flows used in operating activities	<u>(2,359,903)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital contributions	6,246,889
Disposal of capital assets	55,919
Purchases of capital assets	(7,415,739)
Principal paid on capital debt	(1,093,903)
Interest paid on capital debt	(1,253,280)
Net cash flows used in capital and related financing activities	<u>(3,460,114)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment in joint venture	806,178
Interest	4,044
Net cash flows provided by investing activities	<u>810,222</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(5,009,795)
<b>BALANCE, BEGINNING OF YEAR</b>	<u>13,782,225</u>
<b>BALANCE, END OF YEAR</b>	<u><u>\$ 8,772,430</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Operating loss	\$ (11,735,382)
Adjustments to reconcile net operating loss to net cash used in operating activities:	
Depreciation	9,353,277
Provision for bad debt	33,089
Effects of changes in operating assets and liabilities:	
Accounts receivable	(2,734,175)
Due to/from other governments	(458,422)
Inventory	(36,152)
Prepaid expenses	355,790
Other assets	(1,980,416)
Security deposits	49,076
Accounts payable	(1,950,362)
Accrued wages	(852,916)
Unearned revenue	8,789
Compensated absences	(181,285)
Accrued liabilities	<u>7,769,186</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u><u>\$ (2,359,903)</u></u>

The accompanying notes are an integral part of the financial statements.

**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of the Authority**

Buffalo Municipal Housing Authority (the Authority) is a public body corporate and politic pursuant to the Laws of the State of New York which was organized by the State Housing Act of 1937 to provide low rent housing in Buffalo, New York for qualified individuals in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development (HUD), the New York State Division of Housing and Community Renewal (DHCR), and other federal agencies. Funding for the Authority's programs is primarily through contracts with HUD and DHCR, and rental revenue on units which are owned by the Authority.

**Financial Reporting Entity**

As required by accounting principles generally accepted in the United States of America (GAAP) these financial statements present the Authority and the following component units, which are entities for which the primary government is considered financially accountable:

**BLENDED COMPONENT UNITS**

**Bridges Development, Inc.** is a not-for-profit organization whose primary purpose is to provide clean, safe and affordable housing in the City of Buffalo. The Organization is controlled by the Authority and the Authority has a majority voting interest in the Board of Directors of the Organization. This Organization's operations are included in the financial statements of the Authority as a blended component unit and it operates on a calendar year end. Accordingly, the amounts included for this blended component unit are as of and for the year ended December 31, 2013. Separate financial statements for Bridges Development, Inc. can be obtained from the Authority.

**Kensington Heights Revitalization Corp.** was organized to qualify for tax credit assistance through the New York State Brownfield Tax Credit Program for the revitalization of the former Kensington Heights public housing development. The authority is the sole shareholder of the Corporation and all decisions are made by the Board of Commissioners of the Authority. This Organization's operations are included in the financial statements of the Authority as a blended component unit.

**Lower West Side Homes Housing Development Fund Corp.** was organized to provide funding to a limited partnership for the purpose of acquiring, rehabilitating and operating 61 residential apartments in Buffalo, NY. The Authority invested \$2,000,000 in this corporation which in turn invested the money in a limited partnership. This Organization's operations are included in the financial statements of the Authority as a blended component unit.

**Basis of Accounting**

The financial statements of the Authority are prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Authority is required to follow all statements of the Governmental Accounting Standards Board (GASB). GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued to incorporate FASB and AICPA guidance into GASB authoritative literature.

**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus**

The Authority reports as a special purpose government engaged in business-type activities, as defined by GASB Statement No. 34. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

The Authority's policy for defining operating activities in the statement of revenues, expenses and changes in net position are those that generally result from exchange transactions such as payments received for services and payments made to purchase those goods or services. Certain other transactions are reported as non-operating activities and include capital contributions and investment income.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents may include demand deposits, U.S. Treasury Funds, Certificates of Deposit and highly liquid investments with original maturities of three months or less when purchased.

**Accounts Receivable**

Accounts receivable consist of payments due from HUD and related affiliates, payments from tenants and other miscellaneous receivables arising from the normal course of operations. A reserve for uncollectible accounts is established based on management's estimates. As of June 30, 2014, the allowance for doubtful accounts was \$544,236.

**Inventory**

Inventory (materials and supplies) is valued at the lower of weighted average cost or market. An allowance for obsolete inventory is established based on management's estimates. As of June 30, 2014, the allowance for obsolete inventory was \$70,742.

**Capital Assets**

Capital assets are reported at actual historical cost. For assets being depreciated, expense is calculated over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.



**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets (continued)**

The Authority's capitalization threshold is generally \$1,000. The estimated useful lives of capital assets are:

Buildings	40 years
Building modernization	30 years
Office and other equipment	3-7 years

**Long-Lived Assets**

Long lived assets to be held and used or disposed of other than by sale are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived assets to be disposed of by sale are reported at the lower of its carrying amount or fair value less cost to sell.

**Compensated Absences**

The Authority provides for vacation, sick and compensatory time that is attributable to services already rendered. The liabilities are recorded based on employees' rates of pay as of the end of the fiscal year, and include all payroll related liabilities. Payments of these liabilities are dependent upon many factors (including time of leave, retirement, or termination). At June 30, 2014 management has estimated that \$425,871 is payable after the next fiscal year.

**Annual Contribution Contracts**

Annual Contribution Contracts provide that HUD shall have the right to audit and examine the records of public housing authorities. Accordingly, final determination of the Authority's financing and contribution status for the Annual Contribution Contracts is the responsibility of HUD based upon financial reports submitted by the Authority.

**Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance, general liability, fire and extended coverage, fidelity bond, automobile, and Director and Officers' liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Additionally, there have been no significant reductions in insurance coverage from the prior year.

**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Pollution Remediation**

In accordance with GASB standards, the Authority is required to estimate expected outlays for pollution remediation when any one of the following obligating events occur:

- A government is compelled to action because of imminent danger to public health, welfare or the environment.
- A government has violated a pollution prevention-related permit or license.
- A regulator has identified (or evidence indicates it will identify) a government as responsible (or potentially responsible) for cleaning up pollution, or for paying all or some of the cost of the cleanup.
- A government is named (or evidence indicates that it will be named) in a lawsuit to compel it to address the pollution.
- A government commences or legally obligates itself to begin cleanup or post-cleanup activities.

**Net Position**

Net position represents the difference between all other elements in the Statement of Net Position and is displayed in three components:

*Net Investment in Capital Assets* – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

*Restricted* – Net Position whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time.

*Unrestricted* – Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Authority's Board or may otherwise be limited by contractual agreements with outside parties.

Certain assets including cash may be classified as restricted net position on the Statement of Net Position because their use is restricted for specific purposes. It is the Authority's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**New Accounting Pronouncements**

In fiscal year 2014, the Authority implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement improve financial reporting by clarifying the appropriate use of the financial statement element's deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. There was no effect on the financial statements of the Authority in connection with the implementation of GASB No. 65.

**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash deposits maintained in banks are covered by U.S. Federal Deposit Insurance and by collateral held by custodial banks in the Authority's name based upon the average daily funds available as determined by the banks.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities.

Custodial credit risk for deposits is the risk that in the event of a bank failure the Authority's deposits may not be returned to it. For the fiscal year ended June 30, 2014, the carrying amount of the Authority's cash and cash equivalents was \$8,772,430 and the bank balance was \$8,877,935, respectively. All deposits were entirely insured or collateralized with securities held by the Authority's agent in the Authority's name as of June 30, 2014.

**NOTE 3 – ACCOUNTS RECEIVABLES**

Current receivables at June 30, 2014, consisted of the following:

Accounts receivable HUD	\$ 1,585,813
Accounts due from mixed finance & other programs	4,819,805
Accounts receivable tenants, net of allowance of \$544,236	<u>698,835</u>
Total Accounts receivable	<u><u>\$ 7,104,453</u></u>

**NOTE 4 – PREPAID EXPENSES**

Prepaid expenses at June 30, 2014 consisted of the following:

Prepaid worker compensation	\$ 146,118
Property insurance	117,670
Liability and other insurance	10,107
Prepaid miscellaneous costs and deposits	<u>33,450</u>
Total prepaid expenses	<u><u>\$ 307,345</u></u>

**NOTE 5 – NOTES RECEIVABLE**

The Authority has an outstanding mortgage note receivable due from an affiliate, Lakeview Associates 98, L.L.C., for the purpose of acquiring and operating rental housing projects in Buffalo, New York. The loan is secured by related project property, and accrues interest annually at 4.5% until maturity (February 2042), at which time all unpaid principal and interest is due. As of June 30, 2014, \$8,674,889 and \$5,450,386 of principal and interest are owed and recognized in these financial statements.

**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 5 – NOTES RECEIVABLE (CONTINUED)**

The Authority has an outstanding mortgage note receivable due from an affiliate, Lower West Side Homes, L.P., for the purpose of acquiring and operating rental housing projects in Buffalo, New York. The loan is secured by related project property, and accrues interest annually at 5.3% until maturity (January 2057), at which time all unpaid principal and interest is due. At June 30, 2014, \$1,500,000 is owed and recognized in these financial statements.

Bridges Development, Inc., which is reported as a blended component unit, has an outstanding note receivable due from Walden Park Senior Housing II LLC, an affiliate. The Organization used the money to fund Walden Park Senior Housing Complex. The note is secured by the mortgage on the related property and bears interest at 1.75% annually with a maturity in 30 years. Monthly payments will be due only upon available cash flow, as defined in the promissory note. As of December 31, 2013, \$5,131,050 was owed and recognized in these financial statements.

During the year ended December 31, 2013, Bridges Development, Inc. received a grant in the amount of \$200,000 from the Housing Trust Fund Corporation (HTFC) and loaned the proceeds to AD Price II, LLC, an affiliate. The note is secured by the mortgage on the related property and bears interest at 1.00% per annum. The maturity date will be 40 years from the origination date (July 26, 2013) and the entire outstanding portion of the Principal Sum and all accrued, but unpaid interest shall be immediately due and payable.

The Organization received grant funding from the Authority in the amount of \$3,300,000 of Public Housing Capital Assistance funds that will be loaned to AD Price III, LLC, an affiliate, for the purpose of constructing 50 public housing family units. The first advance of \$378,095 was received in December and advanced to AD Price III, LLC. These advances are evidenced by a note receivable secured by a mortgage on the related property and bears interest at 3.00% per annum. Principal and interest payments are not due or accrued until temporary or permanent certificates of occupancy are issued for all of the residential units comprising the Project (the completion date). The maturity date will be 30 years from the conversion date and monthly payments will be due only upon available cash flow, as defined by the promissory note.

Additionally, as of December 31, 2013, Bridges Development, Inc. received grant funding from the Authority in the amount of \$2,700,000 of RHF grant funds that will be loaned to Hertel Park II, LLC for the redevelopment of 139 units of housing in the Hertel Park II housing development. Advances of \$615,727 were received in December and advanced to Hertel Park II, LLC. These advances are evidenced by a note receivable secured by a mortgage on the related property and bears interest at 1.75% per annum. Principal and interest payments are not due or accrued until temporary or permanent certificates of occupancy are issued for all of the residential units comprising the Project (the completion date). The maturity date will be 30 years from the conversion date and monthly payments will be due only upon available cash flow, as defined by the promissory note.

**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 5 – NOTES RECEIVABLE (CONTINUED)**

Notes receivable at June 30, 2014 are as follows:

Lakeview Associates 98, LLC	\$ 14,125,275
Lower West Side Homes, LP	1,500,000
Walden Park Senior Housing II LLC	5,131,050
AD Price II, LLC	200,000
AD Price III, LLC	378,095
Hertel Park II, LLC	615,727
<b>Total</b>	<b><u>\$ 21,950,147</u></b>

Since collectability of all receivables under current circumstances is uncertain, management has conservatively only recorded receivable amounts of \$21,950,147 associated with the loans described above.

The Authority also has outstanding mortgage notes receivable not recorded on the books from the following affiliated entities: Frederick Douglass Associates, L.P., Frederick Douglass Associates II, L.P., Frederick Douglass Associates III, L.P., and AD Price I, LLC. The Authority also has notes receivable from the privately owned and managed Lakeview Family Homes 2000. All of these entities were established with assistance by the Authority for the purpose of acquiring and operating rental housing projects in Buffalo, New York. The loans are generally secured by first or second mortgages on related housing project property, and accrue interest annually at 1% until maturity (2035 through 2044), at which time all unpaid principal and interest is due.

At June 30, 2014, principal and interest owed to the Authority are as follows:

Frederick Douglas Associates, LP	\$ 9,205,464
Frederick Douglas Associates II, LP	8,697,000
Frederick Douglas Associates III, LP	754,826
Lakeview Family Homes 2000	15,920,159
AD Price I, LLC	<u>4,427,875</u>
<b>Total</b>	<b><u>\$ 39,005,324</u></b>



**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 6 – CAPITAL ASSETS**

	Balance at June 30, 2013	Additions	Deletions	Transfers	Balance at June 30, 2014
Non-depreciable:					
Land	\$ 11,643,661	\$ -	\$ -	\$ -	\$ 11,643,661
Total non-depreciable	11,643,661	-	-	-	11,643,661
Depreciable:					
Buildings and improvements	374,238,401	6,533,339	(5,512,643)	-	375,259,097
Accumulated depreciation	(256,315,802)	(8,332,225)	-	-	(264,648,027)
Net buildings and improvements	117,922,599	(1,798,886)	(5,512,643)	-	110,611,070
Equipment	12,087,342	821,353	(57,091)	-	12,851,604
Accumulated depreciation	(8,822,630)	(1,017,098)	5,569,734	-	(4,269,994)
Net equipment	3,264,712	(195,745)	5,512,643	-	8,581,610
Total depreciable assets	121,187,311	(1,994,631)	-	-	119,192,680
Capital assets, net	\$ 132,830,972	\$ (1,994,631)	\$ -	\$ -	\$ 130,836,341

**NOTE 7 – OTHER REVENUE – DEBT FORGIVENESS**

The Authority recognized \$3,467,714 as income during the current fiscal year as a result of writing off old outstanding payables to the City of Buffalo for water, sewer and other services. Management has determined that the Authority has offsetting amounts due from the City to reimburse operating deficits incurred during the fiscal years 2004 through 2010.

**NOTE 8 – OTHER CURRENT LIABILITIES**

Other current liabilities at June 30, 2014, consisted of the following:

Accounts payable - tax credit development funds	\$ 2,397,965
New York State Program	501,033
City of Buffalo	220,114
Housing Choice Voucher	16,487
Bridges Development, Inc.	1,925
Marine Drive Apartments	166,591
AD Price III	155,337
Miscellaneous	149,440
Total other current liabilities	\$ 3,608,892

**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 9 – SCHEDULE OF CHANGES IN NONCURRENT LIABILITIES**

	June 30, 2014			
	Current Portion		Long-Term Portion	
	June 30, 2013	Additions	Payments	June 30, 2014
Notes and bonds payable	\$ 26,827,560	\$ -	\$ (1,093,903)	\$ 25,733,657
Accrued compensated absences	1,600,855	14,398	(195,683)	1,419,570
FSS escrow and replacement reserves	211,967	-	(179,568)	32,399
Other postemployment benefits (OPEB)	5,269,260	5,054,183	(3,202,346)	7,121,097
<b>Total</b>	<b>\$ 33,909,642</b>	<b>\$ 5,068,581</b>	<b>\$ (4,671,500)</b>	<b>\$ 34,306,723</b>
			<b>\$ 2,170,459</b>	<b>\$ 32,136,264</b>

**NOTE 10 – LONG-TERM DEBT**

Current payables at June 30, 2014, consisted of the following:

**Bank Energy Performance Contract**

The Authority entered a Municipal Lease Purchase Agreement with M&T Bank effective May 25, 2007 for energy, conservation, improvements and equipment. The schedule of payments calls for monthly installments of \$47,079 including interest at the estimated subsidized rate of 4.003% from June 2007 through March 2026. The loan is secured by related equipment. Loan amounts due within one year total \$359,778.

**\$ 5,288,418**

**Bank Energy Performance Contract**

The Authority entered a Municipal Lease Purchase Agreement with GE Government Finance effective September 2007 for energy, conservation, improvements and equipment. The schedule of payments calls for varying quarterly installments ranging from \$159,500 to \$313,225 including interest at the estimated subsidized rate of 4.97% from October 2007 through July 2027. The loan is secured by related equipment. Loan amounts due within one year totaled \$327,060.

**9,643,235**

**Bank Energy Performance Contract**

The Authority entered a Municipal Lease Purchase Agreement with M&T Bank effective June 15, 2007 for energy, conservation, improvements and equipment. The schedule of payments calls for monthly installments of \$48,054 including interest at the estimated subsidized rate of 4.99% from September 2008 through August 2028. The loan is secured by related equipment. Loan amounts due within one year total \$294,746.

**5,879,436**

**Bank Energy Performance Contract**

The Authority entered a Municipal Lease Purchase Agreement with M&T Bank effective May 27, 2010 for energy, conservation, improvements and equipment. The schedule of payments calls for quarterly installments ranging from \$103,050 to \$105,055 including interest at the estimated subsidized rate of 4.64% from June 2011 through March 2031. The loan is secured by related equipment. Loan amounts due within one year total \$195,176.

**4,922,568**

Total	25,733,657
Less current portion	1,176,760
<b>Total long-term debt</b>	<b>\$ 24,556,897</b>

**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 10 – LONG-TERM DEBT (CONTINUED)**

Estimated debt service requirements:

	Principal	Interest
2015	\$ 1,176,760	\$ 1,187,262
2016	1,265,198	1,131,357
2017	1,358,426	1,071,130
2018	1,456,952	1,006,353
2019	1,562,059	919,534
2020-2024	9,641,560	3,446,471
2025-2029	8,474,227	1,000,002
2030-2031	798,475	42,225
<b>Total</b>	<b>\$ 25,733,657</b>	<b>\$ 9,804,334</b>

Other debt related to the original acquisition and early modernization of public housing developments is funded, guaranteed and serviced by HUD. There is no debt or pledge of faith and credit on the part of the Authority. Accordingly, this debt has not been recorded in the financial statements of the Authority.

**NOTE 11 – RETIREMENT PLAN**

The Authority contributes to the New York State and Local Employees' Retirement System (ERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the Division of Pension Investment and Cash Management in the Office of the State Comptroller. This plan provides retirement, death and disability benefits to qualified members.

New York State Retirement and Social Security Law (RSSL) govern obligations of employers and employees to contribute and provide benefits to employees. Benefits for future members can only be changed by enactment of a State statute. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244-0001.

**Funding Policy**

Employee benefits and required contributions to the plan depend on the date of entrance into the system. Members of the ERS are categorized into 6 tiers based on the date of membership correlating to pension legislation enacted in 1973, 1976, 1983, 2009 and 2012. Tier 3, 4 and 5 members must contribute 3% of their salary to the plan. RSSL Article 19 states eligible Tier 3 and 4 employees who became members of the system on or after July 27, 1976 and have 10 or more years of membership are not required to contribute. Tier 6 members make a contribution of 3-6% depending on their salary and are not required to contribute for all years of service.



**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 11 – RETIREMENT PLAN (CONTINUED)**

**Funding Policy (continued)**

Contributions are actuarially determined based on the tiers of members and plan provisions. Contribution rates are certified by the State Comptroller and are shown as a percentage of payroll. The current employer contribution rate is 11.4%-28.8% of covered payroll depending on the tier level of employees. The Authority's contributions to the system for the years ended 2012, 2013 and 2014 were \$1,799,008, 2,071,184, and 2,294,291, respectively, which represent 100% of the required payments.

The Authority's contributions to the plan, equal to the required contributions and rates over the past three years were as follows:

Year	Amount	Rate
2014	\$ 2,294,291	11.4%-28.8%
2013	2,071,184	10.1%-25.4%
2012	1,799,008	12.7%-21.5%

**NOTE 12 – POSTEMPLOYMENT HEALTHCARE BENEFITS**

*Plan Description.* The Authority provides health care benefits to eligible retirees and their spouses through the Buffalo Municipal Housing Authority other postemployment benefit (OPEB) plan, a single-employer defined benefit healthcare plan. The plan does not issue separate financial statements.

*Funding policy.* Benefit provisions are based on individual contracts with the Authority, as negotiated from time to time. Eligibility is based on covered employees who retire from the Authority over age 55 with five or more years of service. Retirees are eligible to continue the same coverage as immediately before retirement, for their lifetime. The Authority contributes all or a portion of the healthcare costs for the retirees depending on their eligibility tier. The required contribution is based on projected pay-as-you-go financing requirements, with no current funding of actuarially determined liabilities. For the year ended June 30, 2014, the Authority contributed \$3,202,346 for plan benefits, or approximately 33.33% of annual covered payroll.

*Annual OPEB cost and Net OPEB obligation.* The Authority's annual OPEB expense is calculated based on the annual required contribution of the Authority (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize unfunded actuarial accrued liabilities over 30 years.

**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 12 – POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)**

The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation:

Annual required contribution (ARC)	\$ 4,443,021
Interest on net OPEB obligation	154,678
Adjustments to annual required contribution	<u>(160,182)</u>
Annual OPEB cost	4,437,517
Contributions made	<u>(3,202,346)</u>
Increase in net OPEB obligation	1,235,171
Net OPEB obligation, beginning of year	<u>5,269,260</u>
Net OPEB obligation, end of year	<u><u>\$ 6,504,431</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 3,490,085	77.73%	\$ 3,866,944
6/30/2013	4,437,517	68.39%	5,269,260
6/30/2014	4,437,517	72.17%	6,504,431

As indicated above, the Authority's annual OPEB cost amounted to \$4,437,517, the percentage of annual OPEB cost contributed to the Plan was 72.17%, and the net OPEB obligation for 2014 was \$6,504,431.

*Funded status and funding progress.* As of August 1, 2013, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 76,019,956
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 76,019,956</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 9,606,926
UAAL as a percentage of covered payroll	791.30%

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and ARC of the Authority are subject to continual revision as actual results compared with past expectations and new estimates are made about the future. A schedule of funding progress for three years is presented as required supplementary information. The schedule displays multi-year trend information about whether the actuarial value of Plan assets (if any) is increasing or decreasing over time relative to actuarial accrued liabilities for benefits.

**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 12 – POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)**

*Actuarial methods and assumptions.* Projections of benefits for financial reporting purposes are based on the Plan as understood by the Authority and Plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the Authority and Plan members. The methods and assumptions used included techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following assumptions were made:

Actuarial cost method	Entry age normal method
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Inflation rate	2.50%
Investment return	4.00%
Projected salary increases	4.00%
Healthcare cost trend rate	4.20%

**NOTE 13 – LEASING ACTIVITIES (as Lessor)**

The Authority leases dwelling units mainly to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

Revenues associated with these leases are recorded in the financial statements as "Rental Revenue." Rental Revenue per dwelling unit generally remains consistent from year to year, but is affected by general economic conditions, which impact personal income and local job availability.

**NOTE 14 – ECONOMIC DEPENDENCY**

The Authority receives a substantial portion of its revenues from HUD. If the amount of revenues received from HUD falls below critical levels, the Authority's financial status could be adversely affected.

**NOTE 15 – CONTINGENCIES**

The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing grants given to the Authority in the current and prior years.

The Authority is a defendant in lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Authority that resolution of these matters will not have a material adverse effect on the financial condition of the Authority.

**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 16 – POLLUTION REMEDIATION OBLIGATION**

The Authority has been compelled to action by a compliance order from the U.S. Environmental Protection Agency (EPA) compelling remediation of asbestos abatements in connection with the site known as Kensington Heights. The Authority has reported a liability upon the occurrence of the aforementioned obligating event as discussed in Note 1. These costs were expensed and accrued estimated in consultation with the third party contractors performing the work. The pollution remediation obligation at June 30, 2014 equals \$2.8 million and is reflected as a component of accrued current liabilities. Expenses recognized for the year ended June 30, 2104 were \$6.8 million and is reflected as a component of maintenance expense. Recoveries of approximately \$2.5 million have been recorded as other revenue for the year ended June 30, 2014.

**NOTE 17 – PENDING GASB PRONOUNCEMENTS**

GASB routinely issues standards that will become effective in future years. The following is a list of standards that have been issued that management has determined may have an impact on future financial statements of the Authority. Management is currently evaluating the specific impact of these Standards.

The Authority will be required to implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* for the period ending June 30, 2015. The objective of this Statement is to improve accounting and financial reporting by state and local government employers for the pension in which they are involved. The Authority is currently evaluating the effect of the implementation of this Statement.

The Authority will be required to implement GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* for the period ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement is not expected to have an impact on the Authority.

The Authority will be required to implement GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* for the period ending June 30, 2015. This Statement is required to be applied simultaneously with the provisions of Statement No. 68.

**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 18 – CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS**

	Blended Component Units				
	Bridges	Kensington Heights	Lower West Side	Primary Government	Total
<b>Assets</b>					
Cash	\$ 77,199	\$ -	\$ -	\$ 8,695,231	\$ 8,772,430
Current assets	2,139,727	2,500,000	-	5,279,272	9,918,999
Noncurrent assets	4,624,872	-	2,000,000	15,766,250	22,391,122
Capital assets	-	2,306,841	-	128,529,500	130,836,341
Total assets	<u>\$ 6,841,798</u>	<u>\$ 4,806,841</u>	<u>\$ 2,000,000</u>	<u>\$ 158,270,253</u>	<u>\$ 171,918,892</u>
<b>Liabilities</b>					
Current liabilities	\$ 441,654	\$ 6,933,219	\$ -	\$ 9,168,575	\$ 16,543,448
Noncurrent liabilities	-	-	-	32,136,264	32,136,264
Total unrestricted current liabilities	<u>441,654</u>	<u>6,933,219</u>	<u>-</u>	<u>41,304,839</u>	<u>48,679,712</u>
<b>Net Position</b>					
Net investment in capital assets	-	2,306,841	-	102,795,843	105,102,684
Restricted	6,324,872	-	-	113,935	6,438,807
Unrestricted	75,272	(4,433,219)	2,000,000	14,055,636	11,697,689
Total net position	<u>6,400,144</u>	<u>(2,126,378)</u>	<u>2,000,000</u>	<u>116,965,414</u>	<u>123,239,180</u>
Total liabilities and net position	<u>\$ 6,841,798</u>	<u>\$ 4,806,841</u>	<u>\$ 2,000,000</u>	<u>\$ 158,270,253</u>	<u>\$ 171,918,892</u>

**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 18 – CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS (CONTINUED)**

	Blended Component Units				
	Bridges	Kensington Heights	Lower West Side	Primary Government	Total
<b>Operating revenues</b>					
Tenant revenue	\$ -	\$ -	\$ -	\$ 12,924,547	\$ 12,924,547
Other revenue	1,305,572	2,500,000	-	25,935,650	29,741,222
Total operating revenues	1,305,572	2,500,000	-	38,860,197	42,665,769
<b>Operating expenses:</b>					
Administrative	21,210	116,215	-	10,338,542	10,475,967
Tenant services	-	-	-	1,141,910	1,141,910
Utilities	-	-	-	8,357,935	8,357,935
Maintenance	-	6,817,004	-	13,556,494	20,373,498
Protective services	-	-	-	1,124,754	1,124,754
Insurance	-	-	-	2,026,960	2,026,960
General expenses	-	-	-	3,289,301	3,289,301
Housing assistance payments	-	-	-	1,725,263	1,725,263
Depreciation	-	-	-	9,353,277	9,353,277
Total operating expenses	21,210	6,933,219	-	50,914,436	57,868,865
Operating income (loss)	1,284,362	(4,433,219)	-	(12,054,239)	(15,203,096)
Nonoperating revenue (expenses)	-	-	-	(1,250,410)	(1,250,410)
Equity transfers	-	2,306,841	2,000,000	(4,306,841)	-
Capital contributions	-	-	-	6,246,889	6,246,889
Change in net position	1,284,362	(2,126,378)	2,000,000	(11,364,601)	(10,206,617)
Total net position, beginning of year	5,115,782	-	-	128,330,015	133,445,797
Total net position, end of year	\$ 6,400,144	\$ (2,126,378)	\$ 2,000,000	\$ 116,965,414	\$ 123,239,180

**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

	Blended Component Units				
	Bridges	Kensington Heights	Lower West Side	Primary Government	Total
<b>Net cash provided by (used in)</b>					
Operating activities	\$ 1,271,021	\$ -	\$ -	\$ (3,630,924)	\$ (2,359,903)
Investing activities	(1,193,822)	-	-	2,004,044	810,222
Capital and related financing activities	-	-	-	(3,460,114)	(3,460,114)
<b>Net increase/(decrease) in cash</b>	<b>77,199</b>	<b>-</b>	<b>-</b>	<b>(5,086,994)</b>	<b>(5,009,795)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,782,225</b>	<b>13,782,225</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 77,199</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,695,231</b>	<b>\$ 8,772,430</b>

This information is an integral part of the accompanying financial statements.

## **REQUIRED SUPPLEMENTAL INFORMATION**



**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**SCHEDULE OF FUNDING PROGRESS**  
**June 30, 2014**

Actuarial Valuation Date	Actuarial		Actuarial		UAAI as a	
	Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL Ratio (b-a)	Funded Payroll (a/b)	Covered Payroll (c)	Percentage of Covered Payroll (b-a)/c
7/1/2011	\$ -	\$ 63,859,908	\$ 63,859,908	0.00%	\$ 12,659,193	504.45%
7/1/2012	-	76,019,956	76,019,956	0.00%	10,376,570	732.61%
7/1/2013	-	76,019,956	76,019,956	0.00%	9,606,926	791.30%

## SUPPLEMENTAL INFORMATION

**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**COMBINING SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION**  
**June 30, 2014**

	HCVP	LRPH	ROSS	HOPE VI	State/Local	Blended Component Units	COCC	Elimination	Total 2014
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
Cash and cash equivalents, unrestricted	\$ 71,979	\$ 4,496,686	\$ -	\$ -	\$ 2,629,262	\$ 77,199	\$ 858,271	\$ -	\$ 8,133,397
Cash and cash equivalents - restricted	116,787	275,305	-	-	246,941	-	-	-	639,033
Accounts receivable, net of allowance	3,015	2,269,880	41,842	-	59,704	2,939,727	6,370,937	(4,580,652)	7,104,453
Due from/to other programs	-	13,264	-	-	-	-	38,997	(52,261)	-
Inventories, net of obsolescence	-	747,302	-	-	48,030	-	11,869	-	807,201
Notes and mortgages receivable	-	-	-	-	-	1,700,000	-	-	1,700,000
Prepaid expenses	541	124,402	-	-	136,463	-	45,939	-	307,345
Total current assets	192,322	7,926,839	41,842	-	3,120,400	4,716,926	7,326,013	(4,632,913)	18,691,429
<b>OTHER ASSETS</b>									
Notes and mortgages receivable	-	-	-	-	-	4,624,872	15,625,275	-	20,250,147
Investment in joint venture	-	-	-	-	-	2,000,000	2,000,000	(2,000,000)	2,000,000
Insurance deposits and loan fees	-	-	-	-	-	-	4,330,614	(4,189,639)	140,975
Total other assets	-	-	-	-	-	6,624,872	21,955,889	(6,189,639)	22,391,122
<b>CAPITAL ASSETS</b>									
Not being depreciated	-	5,341,294	-	-	1,116,028	2,306,841	2,879,497	-	11,643,660
Depreciable, net	2,034	108,978,783	-	-	5,839,254	-	4,372,610	-	119,192,681
Total capital assets, net	2,034	114,320,077	-	-	6,955,282	2,306,841	7,252,107	-	130,836,341
<b>TOTAL ASSETS</b>	<u>\$ 194,356</u>	<u>\$ 122,246,916</u>	<u>\$ 41,842</u>	<u>\$ -</u>	<u>\$ 10,075,682</u>	<u>\$ 13,648,639</u>	<u>\$ 36,534,009</u>	<u>\$ (10,822,552)</u>	<u>\$ 171,918,892</u>

**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**COMBINING SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION**  
**June 30, 2014**

	HCVP	LRPH	ROSS	HOPE VI	State/Local	Blended Component Units	COC	Elimination	Total 2014
<b>LIABILITIES</b>									
<b>CURRENT LIABILITIES</b>									
Vendors and contractors payable	\$ 3,356	\$ 2,420,108	\$ 3,450	\$ -	\$ 30,520	\$ 2,116,512	\$ 35,716	\$ (2,116,512)	\$ 2,493,150
Accrued wages/taxes payable	3,187	177,064	616	-	33,308	-	131,475	-	345,650
Accrued compensated absences	4,219	484,398	-	-	46,854	-	458,228	-	993,699
Accrued interest payable	-	121,079	-	-	38,171	-	213	-	159,463
Due to other governments	-	180,704	-	-	-	-	-	-	180,704
Due from/to other programs	4,635	13,835	33,791	-	-	-	-	(52,261)	-
Unearned revenue	-	52,961	-	-	47,724	-	-	-	100,685
Notes and bonds payable	-	976,368	-	-	195,175	-	5,217	-	1,176,760
Other current liabilities	16,487	375,451	3,985	-	667,624	2,466,067	2,543,418	(2,464,140)	3,608,892
Accrued utilities	-	580,437	-	-	142,299	2,792,294	9,002	-	3,524,032
Total current liabilities	<u>31,884</u>	<u>5,382,405</u>	<u>41,842</u>	<u>-</u>	<u>1,201,675</u>	<u>7,374,873</u>	<u>3,183,269</u>	<u>(4,632,913)</u>	<u>12,583,035</u>
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>									
Resident security deposits	-	245,758	-	-	246,941	-	-	-	492,699
<b>NONCURRENT LIABILITIES</b>									
Notes and bonds payable	-	19,690,065	-	-	4,727,394	-	139,438	-	24,556,897
FSS escrow and replacement reserves	2,852	29,547	-	-	-	-	-	-	32,399
Accrued compensated absences	1,808	207,599	-	-	20,081	-	196,383	-	425,871
Other accrued liabilities	63,365	4,330,768	-	-	154,044	-	6,762,559	(4,189,639)	7,121,097
Total noncurrent liabilities	<u>68,025</u>	<u>24,257,979</u>	<u>-</u>	<u>-</u>	<u>4,901,519</u>	<u>-</u>	<u>7,098,380</u>	<u>(4,189,639)</u>	<u>32,136,264</u>
Total liabilities	<u>99,909</u>	<u>29,886,142</u>	<u>41,842</u>	<u>-</u>	<u>6,350,135</u>	<u>7,374,873</u>	<u>10,281,649</u>	<u>(8,822,552)</u>	<u>45,211,998</u>
<b>NET POSITION</b>									
Net investment in capital assets	2,034	93,653,644	-	-	2,032,713	2,306,841	7,107,452	-	105,102,684
Restricted	113,935	-	-	-	-	6,324,872	-	-	6,438,807
Unrestricted	(21,522)	(1,292,870)	-	-	1,692,834	(2,357,947)	19,144,908	(2,000,000)	15,165,403
Total net position	<u>94,447</u>	<u>92,360,774</u>	<u>-</u>	<u>-</u>	<u>3,725,547</u>	<u>6,273,766</u>	<u>26,252,360</u>	<u>(2,000,000)</u>	<u>126,706,894</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 194,356</u>	<u>\$ 122,246,916</u>	<u>\$ 41,842</u>	<u>\$ -</u>	<u>\$ 10,075,682</u>	<u>\$ 13,648,639</u>	<u>\$ 36,534,009</u>	<u>\$ (10,822,552)</u>	<u>\$ 171,918,892</u>

**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**  
**June 30, 2014**

	HCVP	LRPH	ROSS	HOPE VI	State/Local	Blended Component Units	COCC	Elimination	Total 2014
<b>OPERATING REVENUES</b>									
Rental revenue	\$ -	\$ 9,787,502	\$ -	\$ -	\$ 3,137,045	\$ -	\$ -	\$ -	\$ 12,924,547
Fee revenue	-	-	-	-	-	-	4,983,282	(4,766,306)	216,976
HUD grants	1,873,270	23,093,507	279,149	330,370	-	-	-	-	25,576,296
Other governmental grants	-	-	-	-	167,550	-	-	-	167,550
Other revenue	7,817	605,907	-	-	3,750,897	3,805,572	383,493	(1,305,572)	7,248,114
Total operating revenues	1,881,087	33,486,916	279,149	330,370	7,055,492	3,805,572	5,366,775	(6,071,878)	46,133,483
<b>OPERATING EXPENSES</b>									
Administrative	241,270	7,397,894	44,618	149,851	397,851	152,693	5,535,816	(3,444,026)	10,475,967
Asset management fee	-	393,938	-	-	-	-	-	(393,938)	-
Tenant services	1,280	831,857	234,532	-	73,801	-	440	-	1,141,910
Utilities	-	7,370,353	-	-	957,382	-	30,200	-	8,357,935
Ordinary maintenance & operation	274	12,521,760	-	180,519	1,800,683	6,817,004	1,287,172	(2,233,914)	20,373,498
Protective services	-	890,516	-	-	222,211	-	12,027	-	1,124,754
Insurance	6,988	1,598,471	-	-	293,801	-	127,700	-	2,026,960
General expenses	3,907	3,278,384	-	-	53,860	-	(46,850)	-	3,289,301
Housing assistance payments	1,725,263	-	-	-	-	-	-	-	1,725,263
Depreciation	3,425	8,478,856	428	-	360,877	-	509,691	-	9,353,277
Total operating expenses	1,982,407	42,762,029	279,578	330,370	4,160,466	6,969,697	7,456,196	(6,071,878)	57,868,865
Operating income (loss) before deprecation	(101,320)	(9,275,113)	(429)	-	2,895,026	(3,164,125)	(2,089,421)	-	(11,735,382)
<b>NON-OPERATING REVENUES (EXPENSES)</b>									
Interest revenue, unrestricted	196	-	-	-	491	-	3,357	-	4,044
Gain on sale of fixed assets	-	-	-	-	(1,174)	-	-	-	(1,174)
Interest expense	-	(996,005)	-	-	(252,047)	-	(5,228)	-	(1,253,280)
Total nonoperating revenues (expenses)	196	(996,005)	-	-	(252,730)	-	(1,871)	-	(1,250,410)
Income (loss) before contributions	(101,124)	(10,271,118)	(429)	-	2,642,296	(3,164,125)	(2,091,292)	-	(12,985,792)
<b>CAPITAL CONTRIBUTIONS</b>	-	6,246,889	-	-	-	-	-	-	6,246,889
<b>INCREASE (DECREASE) IN NET POSITION</b>	(101,124)	(4,024,229)	(429)	-	2,642,296	(3,164,125)	(2,091,292)	-	(6,738,903)
<b>NET POSITION, BEGINNING OF YEAR</b>	195,571	95,042,654	429	-	4,931,821	5,131,050	28,144,272	-	133,445,797
Equity transfers between programs/PPA	-	1,342,349	-	-	(3,848,570)	4,306,841	199,380	(2,000,000)	-
<b>NET POSITION, END OF YEAR</b>	\$ 94,447	\$ 92,360,774	\$ -	\$ -	\$ 3,725,547	\$ 6,273,766	\$ 26,252,360	\$ (2,000,000)	\$ 126,706,894

**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**ENTITY-WIDE BALANCE SHEET SUMMARY**  
**June 30, 2014**

Line Item #	Accounts Description	HCVP	LRPH Project Total	ROSS	Hope VI	State/Local	Blended Component Units	COCC	Elimination	Total Entity
<b>CURRENT ASSETS</b>										
Cash:										
111	Unrestricted	\$ 71,979	\$ 4,496,686	\$ -	\$ -	\$ 2,629,262	\$ 77,199	\$ 858,271	\$ -	\$ 8,133,397
112	Restricted - modernization and development	-	-	-	-	-	-	-	-	-
113	Other restricted	116,787	29,547	-	-	-	-	-	-	146,334
114	Tenant security deposits	-	245,758	-	-	246,941	-	-	-	492,699
100	Total cash	188,766	4,771,991	-	-	2,876,203	77,199	858,271	-	8,772,430
Accounts and notes receivable:										
121	Accounts receivable - PHA projects	-	-	-	-	-	-	-	-	-
122	HUD other projects	-	1,543,971	41,842	-	-	-	-	-	1,585,813
124	Other government	-	-	-	-	-	-	-	-	-
125	Miscellaneous	1,268	42,739	-	-	45,786	2,939,727	6,370,937	(4,580,652)	4,819,805
126	Tenants	-	805,324	-	-	435,806	-	-	-	1,241,130
126.1	Allowance for doubtful accounts - tenants	-	(122,154)	-	-	(421,888)	-	-	-	(544,042)
126.2	Allowance for doubtful accounts - other	-	-	-	-	-	-	-	-	-
127	Notes, loans, & mortgages receivable - current	-	-	-	-	-	1,700,000	-	-	1,700,000
128	Fraud recovery	1,941	-	-	-	-	-	-	-	1,941
128.1	Allowance for doubtful accounts - fraud	(194)	-	-	-	-	-	-	-	(194)
129	Accrued interest receivable	-	-	-	-	-	-	-	-	-
120	Total receivables, net of allowances for uncollectibles	3,015	2,269,880	41,842	-	59,704	4,639,727	6,370,937	(4,580,652)	8,804,453
142	Prepaid expenses and other assets	541	124,402	-	-	136,463	-	45,939	-	307,345
143	Inventories	-	814,052	-	-	52,022	-	11,869	-	877,943
143.1	Allowance for obsolete inventories	-	(66,750)	-	-	(3,992)	-	-	-	(70,742)
144	Inter program due from	-	13,264	-	-	-	-	38,997	(52,261)	-
150	Total current assets	192,322	7,926,839	41,842	-	3,120,400	4,716,926	7,326,013	(4,632,913)	18,691,429
<b>NONCURRENT ASSETS</b>										
Fixed assets:										
161	Land	-	5,341,294	-	-	1,116,028	2,306,841	2,879,497	-	11,643,660
162	Buildings	-	351,528,195	-	-	10,033,907	-	13,696,995	-	375,259,097
163	Furniture, equipment & mach - dwellings	-	1,126,042	-	-	-	-	1,593	-	1,127,635
164	Furniture, equipment & mach - admin.	21,159	7,011,760	5,140	-	295,783	-	4,390,127	-	11,723,969
165	Leasehold improvements	-	-	-	-	-	-	-	-	-
166	Accumulated depreciation	(19,125)	(250,687,214)	(5,140)	-	(4,490,436)	-	(13,716,105)	-	(268,918,020)
167	Construction in progress	-	-	-	-	-	-	-	-	-
160	Total fixed assets, net of accumulated depreciation	2,034	114,320,077	-	-	6,955,282	2,306,841	7,252,107	-	130,836,341
171	Notes, loans and mortgages receivable - noncurrent	-	-	-	-	-	4,624,872	15,625,275	-	20,250,147
174	Other assets	-	-	-	-	-	-	4,330,614	(4,189,639)	140,975
176	Investment in joint venture	-	-	-	-	-	2,000,000	2,000,000	(2,000,000)	2,000,000
180	Total noncurrent assets	2,034	114,320,077	-	-	6,955,282	8,931,713	29,207,996	(6,189,639)	153,227,463
190	<b>TOTAL ASSETS</b>	<b>\$ 194,356</b>	<b>\$ 122,246,916</b>	<b>\$ 41,842</b>	<b>\$ -</b>	<b>\$ 10,075,682</b>	<b>\$ 13,648,639</b>	<b>\$ 36,534,009</b>	<b>\$ (10,822,552)</b>	<b>\$ 171,918,892</b>

**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**ENTITY-WIDE BALANCE SHEET SUMMARY**  
**June 30, 2014**

Line Item #	Accounts Description	HCVF	LRPH Project Total	ROSS	Hope VI	State/Local	Blended Component Units	COCC	Elimination	Total Entity
<b>CURRENT LIABILITIES</b>										
312	Accounts payable <= 90 days	\$ 3,356	\$ 2,420,108	\$ 3,450	\$ -	\$ 18,425	\$ 2,116,512	\$ 35,716	\$ (2,116,512)	\$ 2,481,055
313	Accounts payable > 90 days	-	-	-	-	12,095	-	-	-	12,095
321	Accrued wage/payroll taxes payable	3,187	177,064	616	-	33,308	-	131,475	-	345,650
322	Accrued compensated absences-current	4,219	484,398	-	-	46,854	-	458,228	-	993,699
325	Accrued interest payable	-	121,079	-	-	38,171	-	213	-	159,463
333	Accounts payable - other government	-	180,704	-	-	-	-	-	-	180,704
341	Tenant security deposits	-	245,758	-	-	246,941	-	-	-	492,699
342	Unearned revenues	-	52,961	-	-	47,724	-	-	-	100,685
343	Current portion of LT debt - capital	-	976,368	-	-	195,175	-	5,217	-	1,176,760
345	Other current liabilities	16,487	375,451	3,985	-	667,624	2,466,067	2,543,418	(2,464,140)	3,608,892
346	Other liabilities	-	580,437	-	-	142,299	2,792,294	9,002	-	3,524,032
347	Inter program - due to	4,635	13,835	33,791	-	-	-	-	(52,261)	-
310	Total current liabilities	31,884	5,628,163	41,842	-	1,448,616	7,374,873	3,183,269	(4,632,913)	13,075,734
<b>NONCURRENT LIABILITIES</b>										
351	Long-term debt, net of current -capital	-	19,690,065	-	-	4,727,394	-	139,438	-	24,556,897
353	Non-current liabilities - other	2,852	29,547	-	-	-	-	-	-	32,399
354	Accrued compensated absences - noncurrent	1,808	207,599	-	-	20,081	-	196,383	-	425,871
357	Accrued pension and OPEB liability	63,365	4,330,768	-	-	154,044	-	6,762,559	(4,189,639)	7,121,097
350	Total noncurrent liabilities	68,025	24,257,979	-	-	4,901,519	-	7,098,380	(4,189,639)	32,136,264
300	Total liabilities	99,909	29,886,142	41,842	-	6,350,135	7,374,873	10,281,649	(8,822,552)	45,211,998
<b>EQUITY</b>										
508.1	Invested in capital assets	2,034	93,653,644	-	-	2,032,713	2,306,841	7,107,452	-	105,102,684
511.1	Restricted net assets	113,935	-	-	-	-	6,324,872	-	-	6,438,807
512.1	Unrestricted net assets	(21,522)	(1,292,870)	-	-	1,692,834	(2,357,947)	19,144,908	(2,000,000)	15,165,403
513	Total equity/net assets	94,447	92,360,774	-	-	3,725,547	6,273,766	26,252,360	(2,000,000)	126,706,894
600	TOTAL LIABILITIES AND EQUITY/NET ASSETS	\$ 194,356	\$ 122,246,916	\$ 41,842	\$ -	\$ 10,075,682	\$ 13,648,639	\$ 36,534,009	\$ (10,822,552)	\$ 171,918,892

**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**ENTITY-WIDE REVENUE AND EXPENSE SUMMARY**  
**Year Ended June 30, 2014**

Line Item #	Accounts Description	HCVF	LRPH Project Total	ROSS	Hope VI	State/Local	Blended Component Units	COCC	Elimination	Total Entity
<b>REVENUE</b>										
70300	Net tenant rental revenue	\$ -	\$ 9,612,810	\$ -	\$ -	\$ 3,081,193	\$ -	\$ -	\$ -	\$ 12,694,003
70400	Tenant revenue - other	-	174,692	-	-	55,852	-	-	-	230,544
70500	Total tenant revenue	-	9,787,502	-	-	3,137,045	-	-	-	12,924,547
70600	HUD PHA operating grants	1,873,270	23,093,507	279,149	330,370	-	-	-	-	25,576,296
706.10	Capital grants	-	6,246,889	-	-	-	-	-	-	6,246,889
70710	Management fee	-	-	-	-	-	-	3,064,646	(3,064,646)	-
70720	Asset management fee	-	-	-	-	-	-	393,938	(393,938)	-
70730	Book keeping fee	-	-	-	-	-	-	325,650	(325,650)	-
70740	Front line service fee	-	-	-	-	-	-	928,342	(928,342)	-
70750	Other fees	-	-	-	-	-	-	270,706	(53,730)	216,976
70800	Other governmental grants	-	-	-	-	167,550	-	-	-	167,550
71100	Investment income - unrestricted	196	-	-	-	491	-	3,357	-	4,044
71500	Other revenue	7,817	605,907	-	-	3,750,897	3,805,572	383,493	(1,305,572)	7,248,114
71600	Gain or loss on sale of capital assets	-	-	-	-	(1,174)	-	-	-	(1,174)
72000	Investment income - restricted	-	-	-	-	-	-	-	-	-
70000	Total revenue	1,881,283	39,733,805	279,149	330,370	7,054,809	3,805,572	5,370,132	(6,071,878)	52,383,242
<b>EXPENSES</b>										
<b>Administrative:</b>										
91100	Administrative salaries	109,538	1,956,123	-	-	175,683	-	2,884,513	-	5,125,857
91200	Auditing fees	4,474	35,793	-	-	8,470	10,000	7,474	-	66,211
91300	Management fee	-	3,042,519	-	22,127	-	-	-	(3,064,646)	-
913.10	Bookkeeping fee	34,447	291,203	-	-	-	-	-	(325,650)	-
91400	Advertising and marketing	434	5,880	-	-	995	-	47,822	-	55,131
91500	Employee benefit contributions - administrative	79,305	1,418,027	-	-	124,878	-	2,071,925	-	3,694,135
91600	Office expense	747	88,004	-	-	7,559	-	20,977	-	117,287
91700	Legal expense	-	103,198	-	-	21,332	142,668	29,690	-	296,888
91800	Travel	1,890	84,107	-	-	2,135	-	72,101	-	160,233
91900	Other	10,435	373,040	44,618	127,724	56,799	25	401,314	(53,730)	960,225
	Total administrative	241,270	7,397,894	44,618	149,851	397,851	152,693	5,535,816	(3,444,026)	10,475,967
92000	Asset management fee	-	393,938	-	-	-	-	-	(393,938)	-
<b>Tenant services:</b>										
92100	Salaries	-	119,304	153,032	-	39,341	-	-	-	311,677
92200	Relocation costs	-	27,504	-	-	-	-	-	-	27,504
92300	Employee benefit contributions	-	87,002	81,500	-	28,075	-	-	-	196,577
92400	Other	1,280	598,047	-	-	6,385	-	440	-	606,152
	Total tenant services	1,280	831,857	234,532	-	73,801	-	440	-	1,141,910
<b>Utilities:</b>										
93100	Water	-	920,942	-	-	44,244	-	1,385	-	966,571
93200	Electricity	-	2,327,865	-	-	280,747	-	24,659	-	2,633,271
93300	Gas	-	2,273,781	-	-	364,630	-	3,305	-	2,641,716
93500	Labor	-	668,208	-	-	147,083	-	-	-	815,291
93600	Sewer	-	508,086	-	-	20,734	-	851	-	529,671
93700	Employee benefits contributions - utilities	-	485,101	-	-	58,673	-	-	-	543,774
93800	Other utility expense	-	186,370	-	-	41,271	-	-	-	227,641
	Total utilities	-	7,370,353	-	-	957,382	-	30,200	-	8,357,935
<b>Ordinary maintenance &amp; operations:</b>										
94100	Labor	-	2,913,365	-	-	495,199	-	650,386	-	4,058,950
94200	Materials and other	274	829,650	-	-	87,062	-	3,521	-	920,507
94300	Contracts	-	6,672,419	-	180,519	866,688	6,817,004	163,274	(2,233,914)	12,465,990
94500	Employee benefits contribution	-	2,105,526	-	-	351,734	-	469,991	-	2,927,251
	Total ordinary maintenance & operations	274	12,520,960	-	180,519	1,800,683	6,817,004	1,287,172	(2,233,914)	20,372,698



**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**ENTITY-WIDE REVENUE AND EXPENSE SUMMARY**  
**Year Ended June 30, 2014**

Line Item		LRPH Project				Blended				
#	Accounts Description	HCVP	Total	ROSS	Hope VI	State/Local	Component Units	COCC	Elimination	Total Entity
<b>EXPENSES (Continued)</b>										
Protective services:										
95100	Labor	\$ -	\$ 92,768	\$ -	\$ -	\$ 11,911	\$ -	\$ 5,764	\$ -	\$ 110,443
95200	Other contract costs	-	696,759	-	-	201,678	-	6,263	-	904,700
95300	Other	-	34,209	-	-	24	-	-	-	34,233
95500	Employee benefit contributions	-	66,780	-	-	8,598	-	-	-	75,378
95000	Total protective services	-	890,516	-	-	222,211	-	12,027	-	1,124,754
96110	Property Insurance	-	459,707	-	-	37,128	-	21,180	-	518,015
96120	Liability Insurance	368	260,805	-	-	182,913	-	1,402	-	445,488
96130	Workmen's compensation	5,184	646,681	-	-	32,292	-	100,810	-	784,967
96140	All other insurance	1,436	231,278	-	-	41,468	-	4,308	-	278,490
96100	Total insurance premiums	6,988	1,598,471	-	-	293,801	-	127,700	-	2,026,960
General expenses:										
96200	Other general expenses	4,745	3,254,407	-	-	14,373	-	11,291	-	3,284,816
96210	Compensated absences	(1,502)	(132,982)	-	-	11,340	-	(58,141)	-	(181,285)
96300	Payments in lieu of taxes	-	148,149	-	-	-	-	-	-	148,149
96400	Bad debt - tenant rents	-	4,278	-	-	28,147	-	-	-	32,425
96600	✓ Bad debt - other	664	-	-	-	-	-	-	-	664
96000	Total general expenses	3,907	3,273,852	-	-	53,860	-	(46,850)	-	3,284,769
96720	Interest on notes payable	-	996,005	-	-	252,047	-	5,228	-	1,253,280
96730	Amortization	-	-	-	-	-	-	-	-	-
96700	Total interest expense and amortization cost	-	996,005	-	-	252,047	-	5,228	-	1,253,280
96900	Total operating expenses	253,719	35,273,846	279,150	330,370	4,051,636	6,969,697	6,951,733	(6,071,878)	48,038,273
97000	Excess of operating revenue over operating expenses	1,627,564	4,459,959	(1)	-	3,003,173	(3,164,125)	(1,581,601)	-	4,344,969
97100	Extraordinary maintenance	-	800	-	-	-	-	-	-	800
97200	Casualty losses - non-capitalized	-	4,532	-	-	-	-	-	-	4,532
97300	Housing assistance payments	1,725,263	-	-	-	-	-	-	-	1,725,263
97400	Depreciation expense	3,425	8,478,856	428	-	360,877	-	509,691	-	9,353,277
90000	Total expenses	1,982,407	43,758,034	279,578	330,370	4,412,513	6,969,697	7,461,424	(6,071,878)	59,122,145
Other financing sources (uses):										
10010	Operating transfer in	-	3,522,287	-	-	-	-	-	-	3,522,287
10020	Operating transfer out	-	(3,522,287)	-	-	-	-	-	-	(3,522,287)
10100	Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
10000	<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES</b>	<b>\$ (101,124)</b>	<b>\$ (4,024,229)</b>	<b>\$ (429)</b>	<b>\$ -</b>	<b>\$ 2,642,296</b>	<b>\$ (3,164,125)</b>	<b>\$ (2,091,292)</b>	<b>\$ -</b>	<b>\$ (6,738,903)</b>
Memo Account Information										
11020	Required annual debt principal payments	\$ -	\$ 976,368	\$ -	\$ -	\$ 195,175	\$ -	\$ 5,217	\$ -	\$ 1,176,760
11030	Beginning equity	195,571	95,042,654	429	-	4,931,821	5,131,050	28,144,272	-	133,445,797
11040	Prior period adjustments, equity transfers correction	-	1,342,349	-	-	(3,848,570)	4,306,841	199,380	(2,000,000)	-
11170	Administrative fee equity	(19,488)	-	-	-	-	-	-	-	(19,488)
11180	Housing assistance payments equity	113,935	-	-	-	-	-	-	-	113,935
11190	Unit months available	4,800	49,011	-	-	7,392	-	-	-	61,203
11210	Number of unit months leased	4,593	43,059	-	-	7,164	-	-	-	54,816
11270	Excess cash	-	(1,360,114)	-	-	-	-	-	-	(1,360,114)
11610	Land purchases	-	-	-	-	-	-	-	-	-
11620	Building purchases	-	6,246,889	-	-	-	-	-	-	6,246,889
11630	Furniture & equipment - dwelling purchases	-	-	-	-	-	-	-	-	-
11640	Furniture & equipment - administrative purchases	-	-	-	-	-	-	-	-	-

**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**SCHEDULE OF CLOSED GRANTS**  
**Year Ended June 30, 2014**

<b>Choice Neighborhood Planning Grant</b>		<u><b>NYZCPH002CNP110</b></u>
Funds approved		<u>\$ 250,000</u>
Funds expended		<u>250,000</u>
Excess of funds approved		<u>\$ -</u>
Funds advanced		<u>\$ 250,000</u>
Funds expended		<u>250,000</u>
Excess of funds advanced		<u><u>\$ -</u></u>

## **SINGLE AUDIT REPORT**



CliftonLarsonAllen

CliftonLarsonAllen LLP  
www.cliaconnect.com

**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**

Board of Commissioners  
Buffalo Municipal Housing Authority  
Buffalo, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Buffalo Municipal Housing Authority (the Authority), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 20, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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*.

## Purpose of this Report

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

A handwritten signature in black ink, reading "Cynthia Lawson Allen" followed by a stylized monogram "CLP".

Baltimore, Maryland

March 20, 2015



**CliftonLarsonAllen**

CliftonLarsonAllen LLP  
www.clareconnected.com

**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**

Board of Commissioners  
Buffalo Municipal Housing Authority  
Buffalo, New York

**Report on Compliance for Each Major Federal Program**

We have audited the Buffalo Municipal Housing Authority's (the Authority) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2014. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the Authority'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

***Basis for Qualified Opinion on Housing Choice Voucher and Low Rent Public Housing Programs***

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding CFDA 14.871 Housing Choice Voucher Program as described in finding numbers 2014-002 and 2014-003 for Special Tests, and CFDA 14.850 Low Rent Public Housing as described in findings 2014-004 for Eligibility/Reporting. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

### ***Qualified Opinion on Housing Choice Voucher and Low Rent Public Housing Programs***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Housing Choice Voucher and Low Rent Public Housing Programs for the year ended June 30, 2014.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2014-001. Except as noted above, our opinion on each major federal program is not modified with respect to these matters.

The Authority's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 the Authority's internal control over compliance.


Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-002, 2014-003, and 2014-004 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a significant deficiency.

The Authority's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Christopher Lawson" followed by a stylized monogram or initials.

Baltimore, Maryland  
March 20, 2015



**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2014**

Program Title	CFDA Number	Federal Expenditures
<b>U.S. Department of Housing and Urban Development (HUD)</b>		
Low Rent Public Housing	14.850	\$ 16,724,727
Capital Fund Cluster	14.872	12,615,669
Housing Choice Voucher Program	14.871	1,982,407
Revitalization of Severely Distressed Public Housing	14.866	330,370
Resident Opportunity and Supporting Services	14.870	279,149
Total U.S. Department of HUD		<u>31,932,322</u>
Total Federal Awards Expenditures		<u>\$ 31,932,322</u>

The accompanying notes are an integral part of this schedule.

**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2014**

**NOTE 1 – BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**NOTE 2 – NON-CASH FEDERAL ASSISTANCE**

The Authority did not receive any non-cash Federal assistance for the year ended June 30, 2014.

**BUFFALO MUNICIPAL HOUSING AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2014**

**I. Summary of Independent Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- |   |       |     |       |   |               |
|---|-------|-----|-------|---|---------------|
| • Material weakness(es) identified?   | _____ | Yes | _____ | X | No            |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | _____ | Yes | _____ | X | None reported |

Noncompliance material to financial statements noted? Yes \_\_\_\_\_ X \_\_\_\_\_ No

**Federal Awards**

Internal control over major programs:

- |  |       |   |     |       |               |
|--|-------|---|-----|-------|---------------|
| • Material weakness(es) identified?  | _____ | X | Yes | _____ | No            |
| • Significant deficiencies identified that are not considered to be material weaknesses? | _____ | X | Yes | _____ | None reported |

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X \_\_\_\_\_ Yes \_\_\_\_\_ No

Identification of Major Programs

Name of Federal Program	CFDA Number
Housing Choice Vouchers	14.871
Low Rent Public Housing	14.850

Dollar threshold used to distinguish between type A and type B programs: \$ \_\_\_\_\_ 957,970

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes \_\_\_\_\_ X \_\_\_\_\_ No

BUFFALO MUNICIPAL HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014

**II. Financial Statement Findings**

None

**III. Federal Award Findings and Questioned Costs**

**Finding 2014-001:**

Housing Choice Voucher Program, CFDA #14.871

**Federal Agency:**

U.S. Department of Housing and Urban Development

**Compliance Requirement:**

Eligibility, Special Tests (Rent Reasonableness)

**Type of Finding:**

Noncompliance, Significant Deficiency

***Condition/Context***

Testing of 40 Housing Choice Voucher (HCV) tenant files for eligibility purposes found exceptions in 9 files which included the following:

- 4 files out of 40 did not have general release forms signed by all adults of the household allowing the Authority to obtain information from third parties.
- 2 files out of 40 did not have documentation of income which could result in miscalculation of HAP.
- 2 files out of 40 did not contain a quality control checklist.
- 1 file out of 40 had no support for the tenant in the file at all.

A separate sample of 2 Housing Choice Voucher tenant files for reasonable rent purposes found 1 file had a reasonable rent determination performed after the effective date.

***Criteria***

According to 24 CFR 5.212 and 5.230 the head of household signs (a) one or more release forms to allow the PHA to obtain information from third parties; (b) a federally prescribed general release form for employment information; and (c) a privacy notice.

24 CFR 982.516(a) states "The PHA must conduct a reexamination of family income and composition at least annually. The PHA must obtain and document in the tenant file third party verification of the following factors, or must document in the tenant file why third party verification was not available: (i) reported family annual income; (ii) the value of assets; (iii) expenses related to deductions from annual income."

The PHA must determine that the rent to owner is reasonable at the time of initial leasing. Also, the PHA must determine reasonable rent during the term of the contract: (a) before any increase in the rent to owner; and (b) at the HAP contract anniversary if there is a five percent decrease in the published Fair Market Rent (FMR) in effect 60 days before the HAP contract anniversary. The PHA must maintain records to document the basis for the determination that rent to owner is a reasonable rent (initially and during the term of the HAP contract) (24 CFR sections 982.4, 982.54(d)(15), 982.158(f)(7), and 982.507).

***Cause***

The Authority did not sufficiently monitor controls to ensure all required documentation was maintained in the tenant file to comply with the requirements or follow the procedures established in their HCV Administrative Plan.