

**THE CITY OF GLEN COVE  
COMMUNITY DEVELOPMENT AGENCY  
SECTION 8 HOUSING CHOICE VOUCHER PROGRAM**

**ANNUAL REPORT  
FOR THE YEAR ENDED MARCH 31, 2016**

**THE CITY OF GLEN COVE  
COMMUNITY DEVELOPMENT AGENCY  
SECTION 8 HOUSING CHOICE VOUCHER PROGRAM**

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# Section 8 Housing Choice Voucher Program

## FINANCIAL SECTION



## INDEPENDENT AUDITORS' REPORT

Board of Directors and Members  
City of Glen Cove Community Development Agency  
Glen Cove, New York:

We have audited the accompanying financial statements of the Section 8 Housing Choice Voucher Program (the Program), a program of the City of Glen Cove Community Development Agency, New York, as of and for the years ended March 31, 2016 and 2015, and the related notes to the financial statements as listed in the table of contents.

### 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's 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 Program'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 Program'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.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Program, as of March 31, 2016 and 2015, and the its changes in net position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in note 1, the accompanying financial statements of the City of Glen Cove Community Development Agency Section 8 Housing Voucher Choice Program are intended to present the financial position, changes in financial position and cash flows of only that portion of the activities of the Agency that is attributable to the transactions of the Program. They do not purport to, and do not present fairly the financial position of the Agency at March 31, 2016 and 2015, the changes in financial position or cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in note 7 to the financial statements, the Program adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68 - "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68," during the year ended March 31, 2016. Our opinion is not modified with respect to this matter.

## 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 10 and the information on pages 30 and 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.

### Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements comprise the Program's basic financial statements. The accompanying schedule of expenditures of federal awards on page 36 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting 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 financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of financial awards is stated in all material respects in relation to the 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 June 13, 2016, on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Program's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York  
June 13, 2016

# **Section 8 Housing Choice Voucher Program**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



**THE CITY OF GLEN COVE  
COMMUNITY DEVELOPMENT AGENCY  
SECTION 8 HOUSING CHOICE VOUCHER PROGRAM**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2016**

Under the Government Accounting Standards Board (“GASB”) Statement 14 “*The Financial Reporting Entity*,” the City of Glen Cove Section 8 Housing Choice Voucher Program (“Program”, “Section 8”) is considered as a program of the Glen Cove Community Development Agency, a component unit of the City of Glen Cove, the primary government. The Program’s director and staff operate under the supervision of the director of the City of Glen Cove Community Development Agency (“CDA”) and utilize the facilities and accounting and financial management services that CDA provides.

According to HUD regulations, as a Section 8 Only Program, which is a part of a larger general purpose government, the Program uses enterprise fund accounting and reports only the financial statements of the Housing Choice Voucher Program, audited by an independent public accounting firm.

The following is a narrative overview and analysis of the Program’s financial activities for the year ended March 31, 2016. It should be read in conjunction with the Program’s financial statements following this section and the notes to the financial statements, presented on pages 15 to 29.

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

The Statement of Net Position presents the Program’s total assets, deferred outflows and total liabilities as of the end of the period. The difference between total assets and deferred outflows less total liabilities is reported as net position, which represents the Program's ownership interest, or net worth, in its total assets, as opposed to its creditor’s interest (total liabilities). Over time, increases or decreases in net position are a useful indicator as to whether the resources are available for continued future services and whether the Program’s financial health is improving or deteriorating.

The Statement of Activities show how the Program’s net position changes during the year. All changes in net position are reported on an accrual basis of accounting, which reports events as they occur, rather than when cash changes hands (cash basis of accounting).

The Statement of Cash Flows reports how the Program’s cash and cash equivalents change during the year. The statement shows how cash and cash equivalents were provided by and used in the Program’s operating, non-capital financing, capital and related financing, and investing activities. The change in the Program’s cash and cash equivalents is combined with the cash and cash equivalents balance at the beginning of the year to arrive at the cash and cash equivalents balance at the end of the year. The Program uses the direct method of presenting cash flows, which includes a reconciliation of operating income or loss to cash provided by or used in operating activities.

The Notes to the Basic Financial Statements are an integral part of the financial statements, disclosing information which is essential to a full understanding of the statements.

## FINANCIAL HIGHLIGHTS AND ANALYSIS

The following overview of the financial activity of the Section 8 Housing Choice Voucher Program for the fiscal year ended March 31, 2016 is intended to provide the reader with an analysis of the Program's overall financial position. In the year ended March 31, 2016, the financial condition of the Program declined but remained stable showing improvement in the last quarter. The financial highlights for the fiscal years ended March 31, 2016 and 2015 were as follows:

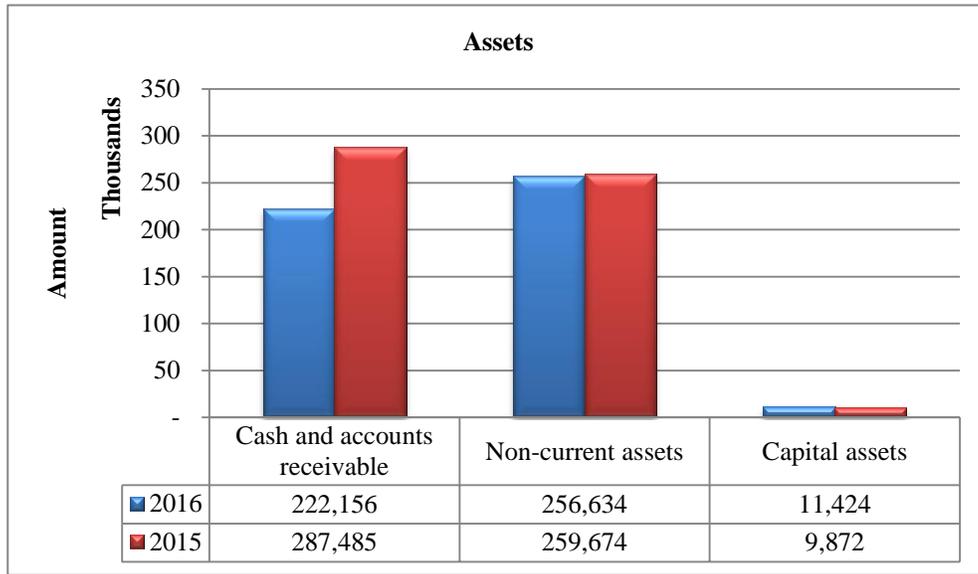
- The Program's net position decreased by \$73,739 (36%) from \$205,180 to \$131,441, from the year ended March 31, 2015 to 2016, respectively.
- The amount of housing assistance payments increased by \$67,505 (2%) from \$4,073,521 to \$4,141,026, from the year ended March 31, 2015 to 2016, respectively.
- The operating expenses increased by \$6,814 (2%) from \$304,438 to \$311,252 from the year ended March 31, 2015 to 2016, respectively.
- The amount of housing assistance grant increased by \$103,413 (3%) from \$3,947,389 to \$4,050,802, from the year ended March 31, 2015 to 2016, respectively.
- The amount of non-operating grant from the CDA decreased by \$617 (100%) from \$617 to \$0 from the year ended March 31, 2015 to 2016, respectively.
- The operating revenues increased by \$5,515 (2%) from \$314,560 to \$320,075 from the year ended March 31, 2015 to 2016, respectively.
- Restricted net position available for housing assistant payments decreased by \$90,146 (47%) from \$193,360 on March 31, 2015 to \$103,214 on March 31, 2016.

Following is a summary of the changes in assets and liabilities and net position.

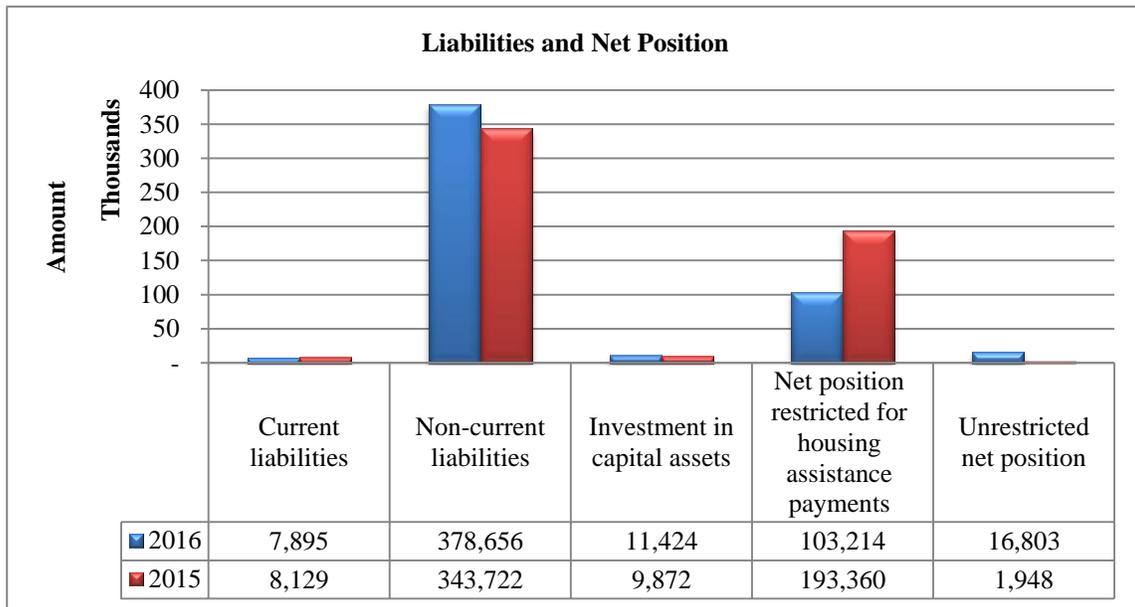
**Table 1**  
**Summary of Net Position**

	March 31,		Changes	
	2016	2015	Amount	Percent
<b>Assets</b>				
Cash and accounts receivable	\$ 222,156	287,485	(65,329)	(23%)
Non-current receivable from CDA	256,634	259,674	(3,040)	(1%)
Capital assets	11,424	9,872	1,552	16%
Total assets	<u>490,214</u>	<u>557,031</u>	<u>(66,817)</u>	<u>(12%)</u>
<b>Deferred Outflow of Resources - pension</b>	<u>27,778</u>	<u>-</u>	<u>27,778</u>	<u>100%</u>
<b>Liabilities and Net Position</b>				
Current liabilities	7,895	8,129	(234)	(3%)
Noncurrent liabilities	<u>378,656</u>	<u>343,722</u>	<u>34,934</u>	<u>10%</u>
Total liabilities	<u>386,551</u>	<u>351,851</u>	<u>34,700</u>	<u>10%</u>
Net position:				
Net investment in capital assets	11,424	9,872	1,552	16%
Restricted - for housing assistance payments	103,214	193,360	(90,146)	(47%)
Unrestricted	<u>16,803</u>	<u>1,948</u>	<u>14,855</u>	<u>763%</u>
Total net position	<u>\$ 131,441</u>	<u>205,180</u>	<u>(73,739)</u>	<u>(36%)</u>

**CHART 1**



**CHART 2**



At March 31, 2016, the Program's total assets and deferred outflows exceeded total liabilities by \$131,441, a decrease of \$73,739 (36%) from \$205,180 at March 31, 2015, as compared to a decrease of \$115,196 (36%) in previous year. (Charts 1 and 2). The decrease reflects a decrease in both the housing assistance grants and administrative fees earned from HUD. Capital assets increased by \$1,552 (16%) net of depreciation of \$3,228, in the fiscal year ended March 31, 2016. The increase is due to a hardware and software upgrades. Office furniture and equipment are also included in capital assets. These capital assets were acquired by the grant funds that the Community Development Agency transferred to Program. There is no debt related to these capital assets.

Current liabilities decreased by \$234 (3%) from \$8,129 to \$7,895 at March 31, 2015 and 2016. The principal reason for the decrease in 2016 was a decrease in vendor invoices outstanding at year end.

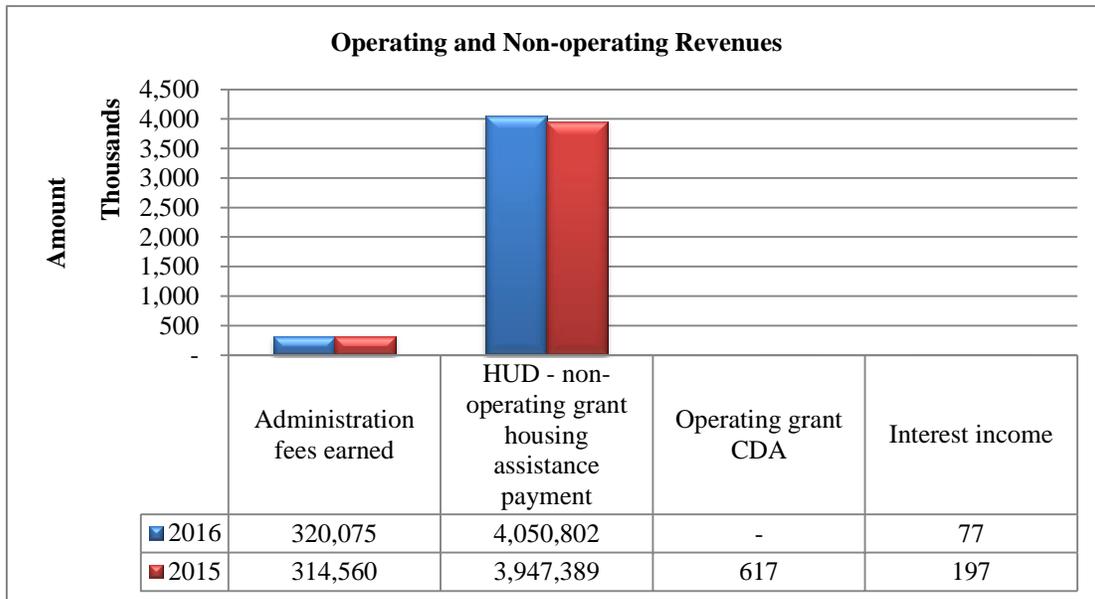
Noncurrent liabilities increased by \$34,934 (10%) from \$343,722 in 2015 to \$378,656 in 2016. In the year ended March 31, 2009, Section 8 implemented Government Accounting Standards Board Statement No. 45 “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.” The OPEB liability increased \$21,284, (6%) from \$334,156 to \$355,440 as of March 31, 2015 and 2016, respectively. In the year ended March 31, 2016, Section 8 implemented GASB Statement No. 68 - “*Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27.*” Deferred outflows increased \$27,778 as of March 31, 2016 as a result.

The following table shows a summary of revenues, expenses, and changes in net position:

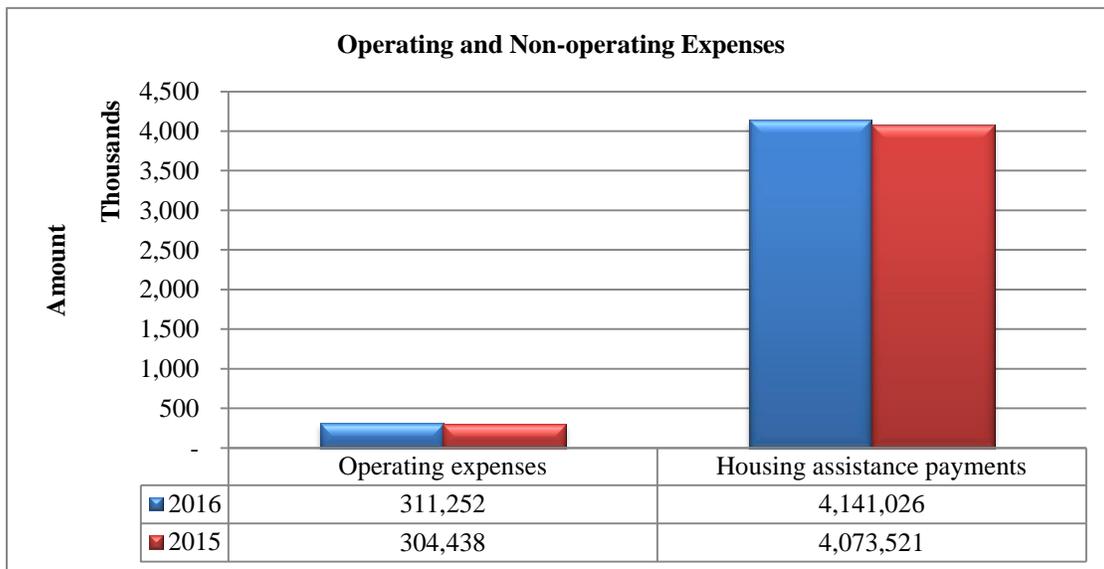
**Table 2**  
**Summary of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended**

	2016	2015	Changes	
			Amount	Percent
Operating revenues:				
Administration fees earned	\$ 320,075	314,560	5,515	2%
Total operating revenues	320,075	314,560	5,515	2%
Operating expenses:				
Salaries and benefits	260,715	270,066	(9,351)	(3%)
Administration expenditures	47,309	32,998	14,311	43%
Depreciation expense	3,228	1,374	1,854	135%
Total operating expenses	311,252	304,438	6,814	2%
Operating income	8,823	10,122	(1,299)	(13%)
Non-operating revenues (expenses):				
HUD- operating grant housing assistance payments	4,050,802	3,947,389	103,413	3%
Housing assistance payments	(4,141,026)	(4,073,521)	(67,505)	(2%)
Operating grant CDA	-	617	(617)	(100%)
Interest income	77	197	(120)	(61%)
Non-operating revenue (expense)	(90,147)	(125,318)	35,171	(28%)
Changes in net position	(81,324)	(115,196)	33,872	29%
Net position - beginning of year	205,180	320,376	(115,196)	(36%)
Cumulative effect of change in accounting principle (note 13)	7,585	-	7,585	100%
Net position - beginning of year, as restated	212,765	320,376	(107,611)	(34%)
Net position - ending	\$ 131,441	205,180	(73,739)	(36%)

**CHART 3**



**CHART 4**



**Non-operating Program Revenues and Expenses**

Grants from the U.S. Department of Housing and Urban Development (“HUD”) provide the principal source of funding of the Program. HUD housing assistance grants increased by \$103,413 (3%), from \$3,947,389 in the fiscal year ended March 31, 2015 to \$4,050,802 in the year ended March 31, 2016.

The housing assistance expenses, net of ineligible payment recoveries, were \$4,073,521, and \$4,141,026 in the years ended March 31, 2015 and 2016, respectively. The increase in housing assistance expenses of \$67,505 (2%), in the year ended March 31, 2016, was due to the increase in rentals and units leased for the year. (Chart 4).

The Program has an allocation of 340 units and an extensive waiting list of applicants. Management attributes its inability to fully lease its 340 units to the unavailability of suitable rental units. For the years ending 2016 and 2015, the average number of units leased per month was approximately 303 and 324 respectively. The total unit months available were 4,080 and the total unit months leased were 3,636 or 89% of the available unit-months, during the fiscal year ended March 31, 2016. The leasing of the lower than maximum available units adversely affects the amount of grants for Housing Assistance Payments (“HAP”) and the administrative fees earned.

In the last quarter of 2013, Management was told by HUD not to add any more people to the program, as HUD anticipated a shortfall in its housing assistance funding. Management complied with the request and as tenants came off of the program they were not replaced. The average number of tenants was 300 for the last six months of the fiscal year. Management has begun working to bring the leasing number back to a minimum 323 or 95% of the available unit-months as funds have been increasing from HUD in the second half of 2015. There are currently 12 vouchers from the waiting list that have been issued but not yet under contract. The Program has also experienced a decrease in its HAP Payments due to HUD’s Electronic Verification of Income, (“EVI”) and other income verification means. As a result of this verification system, tenants are being required to pay a larger portion of the contract rent, resulting in a reduction of the Program’s HAP expense.

### **Operating Revenues and Expenses**

Total operating revenues increased by \$5,515 (2%) from \$314,560 in the year ended March 31, 2015 to \$320,075 in the year ended March 31, 2016. Operating revenues are comprised of admin fees earned, port in admin fees and 50% of fraud recovery.

The principal reason for the increase was the increase in HUD administrative expenses funding. The Program has continued to receive additional grant funds from the Community Development Agency, as a supplement to the funds provided by the U.S. Department of Housing and Urban Development (HUD). For the year ended March 31, 2015 the amount transferred from the CDA was \$31,944. The aggregate amount due to Section 8 from the CDA was \$259,674 and \$256,634, at March 31, 2015 and 2016, respectively. The amount due from the CDA represents a non-current receivable resulting from CDA transfers for OPEB and compensated absences expenses. Audit fees were \$7,200 for both 2015 and 2016.

Operating expenses increased by \$6,814 (2%) from \$304,438 to \$311,252, for the years ended March 31, 2015 and 2016, respectively.

Administrative expenses increased by \$14,311 (43%) from \$32,998 to \$47,309, for the years ended March 31, 2015 and 2016, respectively.

## **Contacting the Program's Financial Management**

This financial report is designed to provide the reader with a general overview of the Program's finances and to demonstrate the Program's accountability for the money it receives. Any questions about this report should be directed to the City of Glen Cove Community Development Agency Executive Director at (516) 676-1625.

# Section 8 Housing Choice Voucher Program

## BASIC FINANCIAL STATEMENTS



**THE CITY OF GLEN COVE  
COMMUNITY DEVELOPMENT AGENCY  
SECTION 8 HOUSING CHOICE VOUCHER PROGRAM  
STATEMENTS OF NET POSITION  
MARCH 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 194,634	252,048
Accounts receivable	<u>27,522</u>	<u>35,437</u>
Total current assets	222,156	287,485
Non-current assets:		
Due from CDA	256,634	259,674
Equipment, net	<u>11,424</u>	<u>9,872</u>
Total assets	<u>490,214</u>	<u>557,031</u>
<b>Deferred outflow of resources - pension</b>	<u>27,778</u>	<u>-</u>
<b>Liabilities and net position</b>		
Current liabilities:		
Accounts payable and accrued liabilities:	<u>7,895</u>	<u>8,129</u>
Total current liabilities	7,895	8,129
Non-current liabilities:		
OPEB	355,440	334,156
Net pension liability	12,045	-
Compensated absences due in more than one year	<u>11,171</u>	<u>9,566</u>
Total liabilities	386,551	351,851
Net position:		
Net investment in capital assets	11,424	9,872
Restricted to housing assistance payments	103,214	193,360
Unrestricted	<u>16,803</u>	<u>1,948</u>
Total net position	<u>\$ 131,441</u>	<u>205,180</u>

See accompanying notes to financial statements.

**THE CITY OF GLEN COVE  
COMMUNITY DEVELOPMENT AGENCY  
SECTION 8 HOUSING CHOICE VOUCHER PROGRAM  
STATEMENTS OF ACTIVITIES  
YEARS ENDED MARCH 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Administration fees earned	\$ 320,075	314,560
Total operating revenues	320,075	314,560
Operating expenses:		
Salaries and benefits	260,715	270,066
Administration expenditures	47,309	32,998
Depreciation expense	3,228	1,374
Total operating expenses	311,252	304,438
Operating income	8,823	10,122
Non-operating revenues (expenses):		
HUD-housing assistance grant	4,050,802	3,947,389
Housing assistance payments, net	(4,141,026)	(4,073,521)
Operating grant CDA	-	617
Interest income	77	197
Changes in net position	(81,324)	(115,196)
Net position - beginning	205,180	320,376
Cumulative effect of change in accounting principle (note 13)	7,585	-
Net position - beginning of year, as restated	212,765	320,376
Net position - ending	\$ 131,441	205,180

See accompanying notes to financial statements.

**THE CITY OF GLEN COVE  
COMMUNITY DEVELOPMENT AGENCY  
SECTION 8 HOUSING CHOICE VOUCHER PROGRAM  
STATEMENTS OF CASH FLOWS  
YEARS ENDED MARCH 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Administrative fees earned	\$ 327,991	321,465
Payments to suppliers for goods and services	(47,543)	(35,609)
Salaries and benefits	<u>(242,935)</u>	<u>(243,454)</u>
Net cash provided by operating activities	<u>37,513</u>	<u>42,402</u>
<b>Cash flows from investing activities:</b>		
Interest income	77	197
Purchase of capital assets	<u>(4,780)</u>	<u>(10,165)</u>
Net cash used in investment activities	<u>(4,703)</u>	<u>(9,968)</u>
<b>Cash flows from non-capital financing activities:</b>		
HUD - housing assistance grant	4,050,802	3,947,389
Housing assistance payments, net	(4,141,026)	(4,073,521)
Operating grant CDA	<u>-</u>	<u>617</u>
Net cash used in non-capital financing activities	<u>(90,224)</u>	<u>(125,515)</u>
Change in cash and cash equivalents	(57,414)	(93,081)
Cash and cash equivalents, beginning of year	<u>252,048</u>	<u>345,129</u>
Cash and cash equivalents, end of year	<u>\$ 194,634</u>	<u>252,048</u>

See accompanying notes to financial statements.

**THE CITY OF GLEN COVE  
COMMUNITY DEVELOPMENT AGENCY  
SECTION 8 HOUSING CHOICE VOUCHER PROGRAM  
STATEMENTS OF CASH FLOWS  
YEARS ENDED MARCH 31, 2016 AND 2015  
(CONTINUED)**

	<u>2016</u>	<u>2015</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 8,823	10,122
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,228	1,374
Changes in operating assets and liabilities:		
Accounts receivable	10,955	90,248
Accounts payable and accrued liabilities	(234)	(2,611)
Deferred outflow of pensions, net of cumulative effect	(27,778)	-
Net pension liability, net of cumulative effect	19,630	-
Compensated absences	1,605	(82,627)
OPEB	<u>21,284</u>	<u>25,896</u>
Net cash provided by operating activities	<u>\$ 37,513</u>	<u>42,402</u>

See accompanying notes to financial statements.

**THE CITY OF GLEN COVE  
COMMUNITY DEVELOPMENT AGENCY  
SECTION 8 HOUSING CHOICE VOUCHER PROGRAM  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. BASIS OF PRESENTATION**

**The Program and Compliance Requirements**

The Section 8 Housing Choice Voucher Program (“the Program”, “Section 8”) is a department of the City of Glen Cove Community Development Agency. Section 8 manages the Housing Choice Voucher Program Grant that is received from the United States Department of Housing and Urban Development (“HUD”). The Program was organized pursuant to housing statutes of the State of New York. The Program’s purpose is to provide low-income housing to qualified individuals in accordance with the rules and regulations prescribed by the United States Department of Housing and Urban Development.

A program rental subsidy is a federal payment to a landlord on behalf of an individual tenant. The federal government pays the difference between 30 percent of the household income and the set “fair market” rent of a unit. Program funds are received from HUD. The participant is free to choose any housing that meets the requirements of the Program and is not limited to units located in subsidized housing projects.

A family that is issued a housing voucher is responsible for finding a suitable housing unit of the family’s choice where the owner agrees to rent under the Program. This unit may include the family’s present residence. Rental units must meet minimum standards of health and safety, as determined by the City of Glen Cove or the Community Development Agency’s Housing Program administration.

A housing subsidy is paid to the landlord directly by the Section 8 Program on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the Program. Under certain circumstances, if authorized by Section 8, a family may use its voucher to purchase a modest home.

**Eligibility and Waiting List**

The Program is for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Since housing assistance is provided on behalf of the family or individual, participants are able to find their own housing, including single-family homes, townhouses and apartments.

Section 8 Program administration determines the eligibility based on total annual gross income and family size. Eligibility for assistance is limited to US citizens and specified categories of non-citizens who have eligible immigration status. In general, the family’s income may not exceed 50% of the median income for the county or metropolitan area in which the family chooses to live. By law, the Program must provide 75 percent of its vouchers to applicants whose incomes do not exceed 30 percent of the area median income. Median income levels are published by HUD and vary by location.

During the application process, Section 8 Program administration collects information on family income and assets, and family composition. Section 8 Program administration verifies this information with other local agencies, employer(s) and bank(s), and uses the information to determine program eligibility and the amount of the housing assistance payment for which the family is eligible.

If Section 8 Program administration determines that a family is eligible, it puts the family's name on a waiting list, unless it is able to give immediate assistance. Once the family name is reached on the waiting list, Section 8 Program administration will contact the family and issue a housing voucher.

Since the demand for housing assistance exceeds the limited resources available to the Program, there is normally a long waiting period for an eligible family to be selected to receive Program funds. The Program opened its waiting list in August 2009, at which time more than 500 applicants applied for the Section 8 Program benefits. There are currently 423 applicants on the waiting list.

The Section 8 Program may establish local preferences for selecting applicants from its waiting list. For example, Section 8 Program administration may give a preference to a family who is (1) homeless or living in substandard housing, (2) paying more than 50% of its income for rent, or (3) involuntarily displaced. Families who qualify for any such local preferences move ahead of other families on the waiting list who do not qualify for any preference.

## **Housing Vouchers**

The Program places the choice of housing in the hands of the individual family. A very low-income family selected by the Program to participate is encouraged to consider several housing choices to secure the best housing for the family needs. A housing voucher holder is advised of the unit size for which it is eligible based on family size and composition.

The housing unit selected by the family must meet an acceptable level of health and safety before Section 8 Program administration can approve the unit. When the voucher holder finds a unit that it wishes to occupy and reaches an agreement with the landlord over the lease terms, Section 8 Program administration must inspect the dwelling and determine that the rent requested is reasonable.

A family's housing needs change over time with changes in family size, job locations, and other reasons. The Program is designed to allow families to move without the loss of housing assistance. Moves are permissible as long as the family notifies Section 8 Program administration ahead of time, terminates its existing lease within the lease provisions and finds acceptable alternate housing.

Under the Program, new voucher-holders may choose a unit anywhere in the United States if the family originally lived in the jurisdiction of the Program office issuing the voucher when the family applied for assistance. Those new voucher-holders not living in the jurisdiction of the Program office issuing the voucher at the time the family applied for housing assistance must initially lease a unit within the new jurisdiction for the first twelve months of assistance. A family that wishes to move to another jurisdiction must consult with the Section 8 Program

office that currently administers the family's housing assistance to verify the procedures for moving.

### **Rent and Subsidy**

Section 8 determines a payment standard that is the amount generally needed to rent a moderately-priced dwelling unit in the local housing market and that is used to calculate the amount of housing assistance a family will receive. However, the payment standard does not limit and does not affect the amount of rent a landlord may charge or the family may pay. A family which receives a housing voucher can select a unit with a rent that is below or above the payment standard. The housing voucher family must pay 30% of its monthly-adjusted gross income for rent and utilities, and if the unit rent is greater than the payment standard, the family is required to pay the additional amount. By law, whenever a family moves to a new unit where the rent exceeds the payment standard, the family may not pay more than 40 percent of its adjusted monthly income for rent.

### **Annual Contribution Contract, Budget Program and Unfunded Reserve Account**

The Section 8 Program enters into an Annual Contribution Contract ("ACC") with HUD. Under the ACC, HUD agrees to make payments to the Program over a specified term for housing assistance payments to owners and for Section 8 administrative fees. The ACC specifies the maximum payment over the ACC term. Section 8 Program administration agrees to manage Program assistance in accordance with HUD regulations and requirements.

HUD's commitment to make payments for each funding increment in the Program constitutes a separate ACC. However, commitments for all the funding increments in the Program are listed in one consolidated contractual document called the consolidated annual contributions contract (consolidated ACC). A single consolidated ACC covers funding for the entire assistance program.

The Budget Program is the maximum amount that may be paid by HUD to the Program over the ACC term of a funding increment. Before adding a funding increment to the consolidated ACC, HUD reserves the Budget Program from amounts authorized and appropriated by the Congress for the Program. For each funding increment, the ACC specifies the term over which HUD will make payments for the Program, and the amount of available Budget Program for each funding increment. The amount to be paid to the Program during each fiscal year (including payment from the ACC reserve account) must be approved by HUD.

### **Ongoing Administrative Fees**

Administrative fees may only be used to cover costs incurred for the Program in accordance with HUD regulations and requirements. The Program's ongoing administrative fee is paid for each program unit under Program contract on the first day of the month. For the years ended March 31, 2016 and 2015, the Program received administrative fees from HUD totaling \$315,831 and \$305,642, respectively.

## **Reporting Entity**

Under the Government Accounting Standards Board (“GASB”) Statement 14 “*The Financial Reporting Entity*,” the Program is classified as a program of the Glen Cove Community Development Agency, which is a discrete component unit of the City of Glen Cove, the primary government Program. The Section 8 Program’s Director and staff operate under the supervision of the Executive Director of the City of Glen Cove Community Development Agency and utilize the facilities and accounting and financial management services that the CDA provides.

The financial reporting entity includes activities over which appointed officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing program, designation of management, ability to influence operations and accountability for fiscal matters.

All activities, as reported in the financial statements are the direct responsibility of the Section 8 Program. Only the activities related to the Program are included in these financial statements.

## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Accounting and Measurement Focus**

The accompanying financial statements of the Program have been prepared in accordance with accounting principles generally accepted in the United States of America and conform to the requirements set forth under the Government Accounting Standards Board. All activities of the Program are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is the cost (expenses including depreciation) of providing goods or services to the general public on a continuing basis financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Program’s financial statements are accounted for on the flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets and liabilities associated with operations are included on the statements of net position, revenues are recognized in the period earned and expenses are recognized in the period in which liabilities are incurred.

### **Use of Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **Cash and Cash Equivalents**

For the purpose of the statements of cash flows, the Section 8 Program considers all highly liquid investments with maturity of three months or less, when purchased, to be cash equivalents.

## **Capital Assets**

Capital assets are defined as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Assets contributed (donated) are recorded by reference to historical costs of the donor if recently purchased or constructed, or if such records are not available, at estimated fair market value on the date of receipt.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation and amortization of all assets are recorded and calculated using the straight-line method. Estimated useful lives range from 25-40 years for buildings, 10-17 years for improvements other than buildings, and 5-12 years for equipment.

## **Net Position**

Net position consists of the various net earnings from operating and non-operating revenues, expenses and contribution of capital.

Net position (i.e. total assets and deferred outflows net of total liabilities and deferred inflows) is classified into net investment in capital assets, unrestricted, and restricted:

- Net Investment in Capital Assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as unspent proceeds.
- Restricted - This component of net position consists of constraints placed on net asset use through external restrictions imposed by creditors (such as through bond covenants), grantors, contributors, laws or regulations of other governments and other requirements imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net position consists of net position that do not meet the definition of "Restricted" or "Net Investment in Capital Assets."

According to HUD guidelines the operating grants for housing assistance are classified as unrestricted.

## **Operating and Non-operating Revenues and Expenses**

Program revenues, expenses and changes in net position are classified into operating and non-operating revenues and expenses. Operating revenues and expenses are related to operating transactions. The operating transactions are those other than capital and related financing activities, noncapital financing activities, investing activities and non-exchange revenues. Operating revenues are the administrative fees received from HUD in exchange for providing housing and related services. Non-operating revenues include interest revenues, federal housing assistance grants and the grants from the CDA. Operating expenses consist of all expenses incurred to provide housing services and include staff salaries and benefits, office expenses and professional fees. Housing assistance payments are considered to be non-operating expenses.

## **Accounting Pronouncements**

GASB Statement No. 72 - "Fair Value Measurement and Application." This statement, which was issued in February 2015, provides guidance regarding accounting and financial reporting issues related to fair value measurements for certain investments and disclosures related to fair value measurements. The requirements of this statement are effective for periods beginning after June 15, 2015, which is the fiscal year beginning April 1, 2016. The statement is being evaluated for its effect on the financial statements of the Program.

GASB Statement No. 73 - "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68." This Statement, issued in June 2015, establishes requirements for defined benefit pension plans and defined contribution pension plans that are not within the scope of Statement No. 68, "Accounting and Financial Reporting for Pensions," as well as requirements for the assets accumulated for purposes of providing those pensions. The requirements of this Statement for pensions that are not within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2016. Requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions as well as the requirements for pension plans within the scope of Statements 67 and 68 are effective for fiscal years beginning after June 15, 2015, which is the fiscal year beginning April 1, 2016 for the Program. This Statement is not expected to have a material effect on the financial statements of the Program.

GASB Statement No. 74 - "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." This Statement, issued in June 2015, replaces existing standards of accounting and financial reporting for postemployment benefit plans other than pension plans and also replaces existing requirements for defined contribution OPEB plans. The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2016, which is the fiscal year beginning April 1, 2017 for the Program. This Statement is not expected to have a material effect on the financial statements of the Program.

GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." This Statement, issued in June 2015, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This Statement is effective for fiscal years beginning after June 15, 2017, which is the fiscal year beginning April 1, 2018 for

the Program. The effects of this Statement on the financial statements of the Program are not presently determinable.

GASB Statement No. 76 - "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments." This Statement, issued in June 2015, supersedes Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," and reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements for this Statement are effective for financial statements for periods beginning after June 15, 2015, which is the fiscal year beginning April 1, 2016 for the Program. This Statement is not expected to have a material effect on the financial statements of the Program.

GASB Statement No. 77 - "Tax Abatement Disclosures." This Statement, issued in August 2015, requires governments that enter into tax abatement agreements to disclose taxes abated, the gross amount of such taxes abated during the period and any other commitments made by the government other than to abate taxes, as a part of the abatement agreement. The requirements for this Statement are effective for financial statements for periods beginning after December 15, 2015, which is the fiscal year beginning April 1, 2016 for the Program. This Statement is not expected to have a material effect on the financial statements of the Program.

GASB Statement No. 78 - "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans." This Statement, issued in December 2015 amends GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The provisions of this Statement are effective for financial statements for years beginning after December 15, 2015, which is the fiscal year beginning April 1, 2016 for the Program. This Statement is not expected to have a material effect on the financial statements of the Program.

GASB Statement No. 79 - "Certain External Investment Pools and Pool Participants." This Statement, issued in December 2015, addresses the accounting and financial reporting for certain external investment pools and pool participants. It establishes the criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The provisions of this Statement are effective for financial statements for years beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. For the Program, this statement becomes effective for the fiscal year beginning April 1, 2016. This statement is not expected to have a material effect on the financial statements of the Program.

GASB Statement No. 80 - "Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14." This Statement, issued in January 2016, amends the blending requirements for the financial statement presentation of component units of all state and

local governments. It requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The provisions of this Statement are effective for financial statements for years beginning after June 15, 2016, which is the fiscal year beginning April 1, 2017 for the Program. This Statement is not expected to have a material effect on the financial statements of the Program.

GASB Statement No. 81 - "Irrevocable Split-Interest Agreements." This Statement, issued in March 2016, establishes accounting and reporting standards for irrevocable split-interest agreements with characteristics that are equivalent to irrevocable split-interest agreements in which a donor irrevocably transfers resources to an intermediary who administers these resources for the unconditional benefit of a government and at least one other beneficiary. The provisions of this Statement are effective for financial statements for years beginning after December 15, 2016. For the Program, this statement becomes effective for the fiscal year beginning April 1, 2017. This Statement is being evaluated for its effect on the financial statements of the Program.

GASB Statement No. 82 - "Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73." This Statement, issued in March 2016, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, which is the fiscal year beginning January 1, 2017 for the Program, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017, which is the fiscal year beginning April 1, 2018 for the Program. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Program.

### **NOTE 3. CASH, CASH EQUIVALENTS AND INVESTMENTS**

At March 31, 2016 and 2015, carrying values of cash and cash equivalents were \$194,634 and \$252,048 and the bank balances were \$194,984 and \$253,966, respectively.

*Interest rate risk.* In accordance with its cash management and investment policy, the Program manages its exposure to declines in fair values by investing its excess cash in money market accounts.

*Custodial and credit risk.* The Program's bank balances were either entirely insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 or collateralized with securities pledged in third party custodial accounts of the pledging financial institutions in the Program's name.

The collateral amounts are as required by the Program's custodial bank agreement at 102%. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. The Program's management monitors that the collateral has an adequate market value and has been segregated.

#### NOTE 4. DUE FROM COMMUNITY DEVELOPMENT AGENCY (CDA)

The CDA makes operating grants to cover the Program's administrative expenses that are in excess of HUD provided administrative fees. As of March 31, 2016, the amount receivable from CDA totaled \$256,634, a decrease of \$3,040 from the previous year balance of \$259,674. For the year ended March 31, 2015, the Agency made operating grants to the Program totaling \$617 to offset administrative expenses in excess of amounts provided by HUD.

#### NOTE 5. CAPITAL ASSETS

Capital assets activities for the year ended March 31, 2016, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Depreciable assets:				
Equipment	\$ 41,816	4,780	-	46,596
Less accumulated depreciation	<u>(31,944)</u>	<u>(3,228)</u>	<u>-</u>	<u>(35,172)</u>
	<u>\$ 9,872</u>	<u>1,552</u>	<u>-</u>	<u>11,424</u>

Depreciation expense for the years ending March 31, 2016 and 2015 totaled \$3,228 and \$1,374, respectively.

#### NOTE 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At March 31, 2016 and 2015 and the program had the following accounts payable and accrued liabilities.

	<u>2016</u>	<u>2015</u>
Accrued liabilities-audit and payroll	<u>\$ 7,895</u>	<u>8,129</u>

#### NOTE 7. PENSION PLANS AND POST RETIREMENT BENEFITS

##### New York State and Local Employees' and Local Police and Fire Retirement System

###### Plan Description

The Program participates in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. The New York State Retirement and Social Security Law (NYSRSSL) govern obligations of employers and employees to contribute and benefit to employees. As set forth in the NYSRSSL, the Comptroller of the State New York (Comptroller) serves as sole trustee and administrator. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and require supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

The Systems are noncontributory except for employees who joined the ERS after July 27, 1976 and prior to January 1, 2010, who have less than ten years of service or membership, are required to contribute 3% of their salary throughout their active membership. Employees who joined on or after January 1, 2010 and before April 1, 2012 are required to contribute 3% throughout their active membership. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressed used in computing the employer's contributions based on salaries paid during the Systems; fiscal year ended March 31.

The Program has adopted the Governmental Accounting Standards Board's Statement No. 27, "Accounting for Pension Costs and Contributions by State and Local Governmental Employers." This statement established standards for the measurement, recognition, and display of pension expenses and related assets, liabilities, note disclosures, and supplementary information. Annual pension cost should be equal to annual required contributions to the pension plan, calculated in accordance with certain parameters.

The Program's pension obligation will be paid by the Community Development Agency.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At March 31, 2016, the Program reported the following liability for its proportionate share of the net pension asset/(liability) for the ERS System. The net pension liability was measured as of March 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Program's proportionate share of the net pension liability was based on a projection of the Program's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS System in reports provided to the Program.

Actuarial valuation date	3/31/2015
Net pension liability	\$ 12,045
Program's proportion of the Plan's net pension liability	0.0012295%

For the year ended March 31, 2016, the Program recognized a pension expense of \$8,148. At March 31, 2016 the Program's reported deferred outflows (inflows) of resources related to the pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 386	-
Net difference between projected and actual earnings on pension plan investments	2,092	-
Changes in proportion and differences between the Program's contributions and proportionate share of contributions	2,981	-
Program's contributions subsequent to the measurement date	<u>22,319</u>	<u>-</u>
Total	\$ <u>27,778</u>	<u>-</u>

Program contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to the pension will be recognized in pension expense as follows:

<u>Year ended</u>	
2016	\$ 1,365
2017	1,365
2018	1,365
2019	1,364
2020	-
Thereafter	-

#### Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Significant actuarial assumptions used in the valuation was as follows:

Measurement date	March 31, 2015
Actuarial valuation date	April 1, 2014
Interest rate	7.5%
Salary scale	4.9% average
Decrement tables	April 1, 2005 - March 31, 2010 System's experience
Inflation rate	2.7%

Annuitant mortality rates are based on April 1, 2005 - March 31, 2011 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2011 valuation are based on the results of an actuarial experience study for the period April 1, 2005 - March 31, 2010.

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

Measurement date	March 31, 2015
Asset type:	
Domestic equity	7.30%
International equity	8.55%
Real estate	8.25%
Private equity	11.00%
Absolute return strategies	6.75%
Opportunities portfolio	8.60%
Real assets	8.65%
Bonds and mortgages	4.00%
Cash	2.25%
Inflation - indexed bonds	4.00%

Discount Rate

The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Program's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Program's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension (liability) asset	\$ <u>80,284</u>	<u>12,045</u>	<u>(45,506)</u>

### Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the respective valuation dates, were as follows:

	(Dollars in Millions)
Valuation date	3/31/2015
Employers' total pension liability	\$ (164,592)
Plan net position	<u>161,213</u>
Employers' net pension liability	\$ <u>(3,379)</u>
Ratio of plan net position to the employers' total pension liability	97.95%

### Payables to the Pension Plan

Employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of March 31, 2016 represent the projected employer contribution for the period of April 1, 2015 through September 30, 2015 based on paid ERS wages multiplied by the employer's contribution rate, by tier.

### **NOTE 8. LONG-TERM DEBT-COMPENSATED ABSENCES**

The employees of the Program are entitled to 100% compensation for a maximum of 50 vacation days, and 250 accumulated sick days upon retirement after 10 years of employment. Employees, with less than 10 years of employment, are eligible to receive 75% of their sick days. All sick time is calculated by using their 10 year average salary. The changes in compensated absences were as follows:

	<u>2016</u>	<u>2015</u>
Balance	\$ 9,566	92,194
Payments	(4,257)	(96,937)
Additions	<u>5,862</u>	<u>14,309</u>
Balance, end of year	\$ <u>11,171</u>	<u>9,566</u>

The liability for the compensated absences will be paid from the amounts receivable from the Community Development Agency.

### **NOTE 9. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

The Section 8 Program's retiree medical/drug and dental insurance plans are fully insured with the Empire Plan offered through New York State Health Insurance program and Group Health Incorporated. Employees are eligible for these benefits once they have reached the age of 55 and were hired before July 1, 1973 or either have reached the age of 55 and have 5 years of qualified employment or have 30 years of qualified employment if hired after July 1, 1973. Section 8 has agreed to pay the full cost of coverage for such retirees as well as the retiree's spouse and unmarried children. Survivors are covered at full cost. As of March 31, 2016, the funding status of the OPEB was as follows:

FUNDING STATUS AND FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
1/1/2015	\$-0-	\$874,141	\$(874,141)	0%	\$172,813	506%
1/1/2014	\$-0-	\$826,890	\$(826,890)	0%	\$163,472	506%
1/1/2013	\$-0-	\$655,497	\$(655,497)	0%	\$180,387	363%

The current premiums include Medical Plan Empire Plan Premiums, Pre-65 Retiree, Plan Prime, Pre-65 Dependent, Medicare Eligible Single, Medicare Eligible Dependent and Medi-Prime. Post 65 coverage, Dental Plan, and Group health incorporated premiums.

The Program’s annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 is as follows:

Fiscal Year Ending	OPEB OBLIGATION		
	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
3/31/2016	\$21,284	29%	\$355,440
3/31/2015	\$25,896	8%	\$334,156
3/31/2014	\$79,926	35%	\$308,260

The Program’s annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 is as follows:

	2016	2015
1. Normal Cost	\$ 19,618	23,107
2. Amortization of Unfunded Actuarial Accrued Liability	28,072	32,460
3. Interest	1,178	1,372
4. Annual Required Contribution - ARC (1+2+3)	48,868	56,939
5. Interest on net OPEB Obligation	13,844	15,413
6. Adjustment to ARC	(17,577)	(19,569)
7. Annual OPEB Cost (Expense)	45,135	52,783
8. Less Contribution made (Medicare health insurance and dental insurance)	(23,851)	(26,887)
9. Increase in net OPEB obligation	21,284	25,896
10. Net OPEB obligation - beginning of year	334,156	308,260
11. Net OPEB obligation - end of year	\$ 355,440	334,156

The OPEB liability will be paid from the amounts receivable from the CDA.

## **NOTE 10. FINANCIAL RELATIONS WITH THE CITY OF GLEN COVE**

1. The Community Development Agency and the Section 8 Program are covered under the City of Glen Cove's self-insurance program for general liability and workers' compensation claims.
2. In accordance with an agreement, the City provides all the required space and utilities for the CDA and Section 8 Program. The City invoices the CDA \$9,120 annually for these services, of which \$3,040 is attributable to the Section 8 Program.

## **NOTE 11. CONCENTRATION OF RISK**

The Program is potentially exposed to the risks of dependence on a single funding source for the major portion of its annual support. Approximately 99% of the revenues of the Program are received from the U.S. Department of Housing of Urban Development "HUD".

## **NOTE 12. SUBSEQUENT EVENTS**

The Program has evaluated subsequent events through the date of the report, which is the date that the financial statements were available to be issued.

## **NOTE 13. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE**

For the fiscal year ended March 31, 2016, the Program implemented GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions - an Amendment to GASB Statement No. 27" and GASB Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68." The implementation of these Statements resulted in the reporting of an asset, deferred outflows of resources, liability and deferred inflows of resources related to the Program's participation in the New York State Employees' retirement systems. The Program's net position at March 31, 2016 has been restated as follows:

Net position at beginning of year, as previously stated	\$ 205,180
GASB Statement No. 68/71 implementation:	
Beginning System liability - Employees' Retirement System as of December 31, 2015	(16,112)
Beginning deferred outflow of resources attributable to contributions subsequent to the March 31, 2015 measurement date	<u>23,697</u>
Cumulative effect of implementation	<u>7,585</u>
Net position at beginning of year, as restated	\$ <u>212,765</u>

# Section 8 Housing Choice Voucher Program

## REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability

Schedule of Employer Pension Contributions



**THE CITY OF GLEN COVE  
COMMUNITY DEVELOPMENT AGENCY  
SECTION 8 HOUSING CHOICE VOUCHER PROGRAM  
SCHEDULE OF PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
FOR THE YEAR ENDED MARCH 31, 2016**

	<u>2016</u>	<u>2015</u>
Agency's proportion of the net pension liability	0.0012295%	0.0012295%
Agency's proportionate share of the net pension liability	\$12,045	\$16,112
Agency's covered payroll	\$418,216	\$431,559
Agency's proportion of the net pension liability as a percentage of its covered - employee payroll	7.15%	9.3%
Plan's fiduciary net position as a percentage of the total pension liability	97.95%	97.20%

The amounts presented for each fiscal year were determined as of the March 31, 2015 and 2014 measurement dates of the plan.

**THE CITY OF GLEN COVE  
COMMUNITY DEVELOPMENT AGENCY  
SECTION 8 HOUSING CHOICE VOUCHER PROGRAM  
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS  
FOR THE YEAR ENDED MARCH 31, 2016**

NYSERS Pension Plan

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$55,410	43,429	-	-	-
Contributions in relation to the contractually required contribution	<u>55,410</u>	<u>43,429</u>	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	-	-	-
Agency's covered employee payroll	\$418,216	\$431,559	-	-	-
Contributions as a percentage of covered employee payroll	13.25%	10.06%	N/A	N/A	N/A

# Section 8 Housing Choice Voucher Program

## UNIFORM GUIDANCE AUDIT SECTION

Independent Auditors' Report

Schedule of Expenditures of Federal Awards

Schedule of Findings and Questioned Costs



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 Directors and Members  
City of Glen Cove Community Development Agency  
Glen Cove, 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 City of Glen Cove Section 8 Housing Choice Voucher Program, (the Program), as of and for the year ended March 31, 2016, and the related notes to the financial statements, which comprise the Program's basic financial statements, and have issued our report thereon dated June 13, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Program'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Program'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 Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 results of that testing, and not to provide an opinion on the effectiveness of the Program'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 Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York  
June 13, 2016

INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors and Members  
City of Glen Cove Community Development Agency  
Glen Cove, New York:

Report on Compliance for Each Major Federal Program

We have audited the City of Glen Cove Community Section 8 Housing Choice Voucher Program's (the Program) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Program's major federal programs for the year ended March 31, 2016. The Program's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Program management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Program'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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 Program'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 Program's compliance.

### Opinion on Each Major Federal Program

In our opinion, the Program, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2016.

### Report on Internal Control Over Compliance

Management of the Program 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 Program'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 the Uniform Guidance 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 Program's internal control over compliance.

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

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

### Purpose of This Report

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

EFPR Group, CPAs, PLLC

Williamsville, New York  
June 13, 2016

**THE CITY OF GLEN COVE  
COMMUNITY DEVELOPMENT AGENCY  
SECTION 8 HOUSING CHOICE VOUCHER PROGRAM  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED MARCH 31, 2016**

<u>Agency and Program Grant Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
U.S. Department of Housing and Urban Development Section 8 Housing Choice Vouchers	14.871	<u>\$ 4,141,026</u>	<u>          -</u>

See accompanying notes to schedule of expenditures of federal awards.

**THE CITY OF GLEN COVE  
COMMUNITY DEVELOPMENT AGENCY  
SECTION 8 HOUSING CHOICE VOUCHER PROGRAM  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED MARCH 31, 2016**

**NOTE 1: PURPOSE OF THE SCHEDULE**

The Uniform Guidance requires a Schedule of Expenditures of Federal Awards showing total expenditures for each federal financial assistance program as identified in the Catalog of Federal Domestic Assistance (CFDA).

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

- A. Reporting Entity** - The accompanying schedule includes all federal financial assistance programs administered by Glen Cove Community Development Agency Section 8 Housing Choice Voucher Program for the fiscal year ended March 31, 2016.
- B. Basis of Presentation** - The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the Uniform Guidance.
- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and the Uniform Guidance, federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.
  - 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and the Uniform Guidance establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Program are those which equal or exceeded \$750,000 in expenditures/disbursements/issuances for the fiscal year ended March 31, 2016. Type B programs for the Program are those which are less than \$750,000 in expenditures/disbursements/issuances for the fiscal year ended March 31, 2016.
- C. Basis of Accounting** - The information presented in the Schedule of Expenditures of Federal Awards (the Schedule) is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.

**THE CITY OF GLEN COVE  
COMMUNITY DEVELOPMENT AGENCY  
SECTION 8 HOUSING CHOICE VOUCHER PROGRAM  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED MARCH 31, 2016**

**I. Summary of Auditors' Results**

**A. Financial Statements**

The type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weakness(es)?  Yes  None reported
- Noncompliance that is material to the financial statements noted?  Yes  No

**B. Federal Awards**

Internal control over major programs:

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

The type of auditors' report issued on compliance for major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance?  Yes  No

Identification of Major Programs:

<u>Name of program or cluster number</u>	<u>CFDA</u>
▪ Section 8 Housing Choice Voucher Program	14.871

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

**II. Findings Related to the Financial Statements Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards.**

**A. Internal Control**

None reported

**B. Compliance Findings**

None reported

**III. Findings and Questioned Costs for Federal Awards**

**A. Internal Control**

None reported

**B. Compliance Findings**

None reported

**THE CITY OF GLEN COVE  
COMMUNITY DEVELOPMENT AGENCY  
SECTION 8 HOUSING CHOICE VOUCHER PROGRAM  
SUMMARY OF PRIOR YEAR AUDIT FINDINGS  
YEAR ENDED MARCH 31, 2016**

The audit report for the year ended March 31, 2015, contained no findings or questioned costs.