NEW YORK STATE OF OPPORTUNITY. | Homes and Community Renewal | Housing Trust Fund Corporation

ANDREW M. CUOMO
Governor

JAMES S. RUBIN
Commissioner/CEO

MEMORANDUM

To: Members of the Corporation

From: Stacey C. Mickle, Treasurer

Date: June 22, 2016

Subject: Approval of Annual Audit

Pursuant to the Public Authorities Law and HTFC's By-Laws, the Housing Trust Fund Corporation (HTFC) is required to engage an independent certified public accounting firm to perform an annual independent audit in accordance with generally accepted auditing standards. HTFC has engaged SaxBST, to conduct the 2016 audit.

Enclosed are the following reports prepared for the fiscal year ended March 31, 2016:

- Financial Report
- Internal Control and Compliance Report
- Report to the Board in compliance with SAS 114
- Management Letter
- Corporation's Response to the Management Letter

It is recommended that the Members review and approve the annual independent audit. The annual audit report must be submitted to the Authorities Budget Office no later than June 30, 2016.

Housing Trust Fund Corporation
(a Component Unit of the State of New York)

Financial Report

March 31, 2016 and 2015

Housing Trust Fund Corporation

(a Component Unit of the State of New York)

Financial Report

March 31, 2016 and 2015

C O N T E N T S

Independent Auditor's Report

Board of Directors
Housing Trust Fund Corporation
Albany, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Trust Fund Corporation (Corporation), a component unit of the State of New York, which comprise the statements of net position as of March 31, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years 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.

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 audits 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 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 Corporation'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 Corporation as of March 31, 2016 and 2015, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Compliance with Federal Requirements

The Corporation is the administrator of the New York State Disaster Recovery Program and is subject to regular audits by the U.S. Department of Housing and Urban Development (HUD). As discussed in Note 10d, HUD's Office of Inspector General (HUD IG) has issued three audit reports which identified approximately $3.8 million in costs that they considered ineligible, and therefore, subject to repayment. The HUD IG has deemed an additional $200 million in expenses as unsupported and subject to future follow-up. Management of the Corporation believes it is possible that HUD will enforce repayments on disallowed costs; however, that amount is currently not estimable. Our opinion is not modified with respect to this matter.

Accounting Principles

As discussed in Note 1, the Corporation adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions,* and No 71, *Pension Transitions for Contributions Made Subsequent to the Measurement Date*, as of April 1, 2015. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 7, the schedule of funding progress on page 25, the schedule of local government contributions on page 26, and the proportionate share of net pension liability on page 27 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 audits 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2016, on our consideration of the Corporation'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 Corporation's internal control over financial reporting and compliance.

SaxBST LLP

Albany, New York
June 22, 2016

The Housing Trust Fund Corporation (Corporation), a component unit of the State of New York, follows professional guidelines for government financial reporting by including in its annual financial report this discussion of management's views on its financial condition. No new guidelines or reporting methods have been adopted this year that resulted in significant changes to the financial statements. Therefore, management is presenting its discussion and analysis of the Corporation's financial activities for the fiscal year ended March 31, 2016, in a manner similar to last year's presentation.

Financial Highlights

- The Corporation's net position increased by approximately $18.03 million, or 7.29% from 2015 as a result of the current year's operations.

- During the year, the Corporation's revenue from State and Federal appropriations and contracts totaled just over $2.86 billion, and it expended just over $2.84 billion to provide decent and affordable housing, improve community infrastructure and facilities, provide economic opportunities, and to aid in the recovery from the impact of Hurricanes Sandy and Irene and Tropical Storm Lee, to the citizens of New York State.

- Federal program appropriations and fees accounted for approximately 93.2% of the Corporation's revenue and approximately 94.8% of its expenses, while New York State appropriations were responsible for approximately 6.7% of revenues and approximately 4.9% of expenses.

- Investment revenue increased by approximately $184,000, or approximately 154% from 2015. This was primarily due to a change in the way funds are invested.

- The Federal Community Development Block Grant Disaster Recovery Program continued to grow during fiscal year 2016. Revenues grew by $183 million, or 29%, and expenses grew by $225 million, or 36%.

Using This Annual Report

This annual report consists of three financial statements: statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows. These statements provide information about the activities of the Corporation as a whole. They tell how the Corporation's programs were financed in the short-term as well as what remains for future spending. Immediately following the financial statements are a series of notes to the financial statements that provide additional information about some specific references in the financial statements. The notes also provide other important information about the Corporation.

Reporting on the Corporation

One of the most important questions asked about the Corporation's finances is, "Is the Corporation, as a whole, better off or worse off as a result of the year's activities?" The statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows report information about the Corporation in a way that helps answer this question. These financial statements include all assets, liabilities, revenues, and expenses using the accrual basis of accounting, which is similar to the procedures followed by most private sector companies.

Using This Annual Report - Continued

Reporting on the Corporation - Continued

These three statements report the Corporation's net position and changes in it, and the flow of cash into and out of the Corporation from its activities and investments. You can think of the Corporation's net position, the difference between its assets/deferred outflows of resources and liabilities/deferred inflows of resources, as one way to measure its financial health, or financial position. Over time, increases or decreases in the Corporation's net position are one indicator of whether its financial health is improving or getting worse. The information in these statements helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Corporation's programs.

All of the Corporation's activities are presented as an enterprise fund, which essentially means that the Corporation reports its activities as most businesses would. While the bottom line is not expressed in terms of profit, but in terms of funds available to provide services to the citizens of New York State, this reporting method presents the Corporation's activities more clearly to its audience. The Corporation's activities consist primarily of providing housing construction and rehabilitation funding, rental and homebuyer subsidies to low income individuals and families and to senior citizens, as well as funding for public facilities improvements and economic development activities from State and Federal appropriations and fees earned from the operation of its Federal Programs.

The Corporation's Overall Financial Condition

The Corporation's combined net position increased from one year ago, increasing overall by approximately $18.03 million this year, or approximately 7.29%. This increase was primarily attributable to the appropriations from New York State. These awards are on a several year cycle, and the fiscal year ended 2016 was the beginning of the cycle for several New York State programs and as such, the Corporation received a large amount of funding in advance. Although the funds were committed to specific projects, the Corporation had not spent all of the released funds causing a surplus. Our analysis below focuses on the net position (Table 1) and the changes in net position (Table 2) from the Corporation's activities.

Table 1
Net Position (in millions)

	March 31, 2016	March 31, 2015	March 31, 2014
Cash, investments and assets held in escrow	$ 338.46	$ 273.00	$ 295.63
Cash held for beneficiaries	18.84	63.13	11.23
Receivable from U.S. HUD	6.83	9.41	11.00
Accounts receivable	0.02	0.13	0.21
Notes and interest receivable, net	5.72	6.34	5.83
Property held for resale	14.33	61.47	-
Security deposits	0.12	-	-
Deferred outflows	0.34	-	-
Total assets and deferred outflows	384.66	413.48	323.90
Accounts and awards payable	73.49	74.91	35.57
Unearned revenue	28.28	72.09	23.91
Postemployment benefits other than pensions	3.10	2.64	2.18
Net pension liability	0.86	1.15	-
Other liabilities	13.55	15.33	27.12
Total liabilities	119.28	166.12	88.78
Net position			
Restricted	202.54	192.02	199.35
Unrestricted	62.84	55.34	35.77
Total net position	$ 265.38	$ 247.35	$ 235.12

Using This Annual Report - Continued

The Corporation's Overall Financial Condition - Continued

Restricted Net Position - represents program funds from Federal and State programs on hand at the end of the fiscal year. This description reflects a recognition that all funds generated by federal and state appropriations and contracts are considered earmarked for the purposes of that appropriation or contract unless specifically available for discretionary use. Restricted net position this year reflects an increase from 2015 of approximately $11 million, or 5.48%.

Unrestricted Net Position - represents the portion of net position that can be used to finance day-to-day administrative expenses or additional program awards beyond appropriated levels. Unrestricted net position increased from 2015 by approximately $7.5 million, or 13.56%.

Table 2
Changes in Net Position (in millions)

	Years Ended March 31,		
	2016	2015	2014
Revenues			
Program revenue			
Federal programs	$ 2,667.49	$ 2,404.56	$ 2,214.67
State programs	192.31	132.78	158.20
Donations	-	-	6.95
Other revenue			
Investments	0.30	0.12	0.16
Other	0.72	3.02	7.74
Total revenues	2,860.83	2,540.48	2,387.72
Expenses			
Federal programs	2,694.61	2,380.11	2,215.96
State programs	140.27	136.40	153.73
Donation program	-	3.61	1.74
Administrative and other expenses	7.92	6.98	7.76
Total expenses	2,842.80	2,527.10	2,379.19
Increase in net position	$ 18.03	$ 13.38	$ 8.53

The Corporation's total revenues increased from last year by approximately 12.6%, or $320.34 million, while the total cost of all programs and administration increased by approximately 12%, or $316 million. These figures show that the Corporation received approximately $18.03 million more than it spent this year, or approximately 7.29%.

Revenue from federal programs increased overall by approximately $263 million due primarily to an increase in funding for the Community Development Block Grant Disaster Recovery Program, which began during the fiscal year ended 2014. In addition, several other federal programs showed increases in funding. The Corporation received funding from a new program related to Disaster Recovery for approximately $11 million in 2016.

Using This Annual Report - Continued

The Corporation's Overall Financial Condition - Continued

The Corporation experienced an overall increase in expenses this year by approximately $315.70 million, or approximately 12%, due primarily to an increase in funding for the Community Development Block Grant Disaster Recovery Program, which began during the fiscal year ended 2014. In addition, several other federal programs showed increases in funding. Expenses of the Corporation's federally-funded programs experienced an increase of approximately $314 million, or 13.21% from the previous year, while expenses of State funded programs increased by approximately $3.9 million, or approximately 2.84% from the previous year. The Corporation's expenses for administration and other expenses were essentially flat year over year.

Economic Factors on Future Operations

The Corporation's ability to accomplish its mission to provide decent and affordable housing to the citizens of New York State, from an economic standpoint, depends almost exclusively on the appropriations and contracts it receives from the Federal and New York State governments. New York State's budget is providing funding to the Corporation for its fiscal year April 1, 2016 through March 31, 2017, at approximately the same level overall as the previous year. Federal appropriation levels are expected to remain at current year levels as the $1.7 billion of federal CDBG Program funds in connection with the disaster recovery efforts related to Hurricanes Sandy and Irene, and Tropical Storm Lee will continue into the fiscal year ending 2017. Expenses are expected to remain roughly consistent with current levels for current programs due to the continued disaster recovery efforts.

Contacting the Corporation's Financial Management

This financial report is designed to provide the citizens of New York State, banks, developers, and contractors with whom we do business, and Federal and New York State legislators, regulators, and other government officials with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have any questions about the report or need additional financial information, please contact the Corporation's Treasurer at the Housing Trust Fund Corporation, 38-40 State Street, Albany, New York 12207, by phone at (518) 457-3538, or via e-mail at HTFFinanceUnit@nyshcr.org.

Housing Trust Fund Corporation
(a Component Unit of the State of New York)

Statements of Net Position

	March 31, 2016	March 31, 2015 (Restated)
ASSETS AND DEFERRED OUTFLOWS		
ASSETS		
Cash, unrestricted	$ 16,783,915	$ 12,176,755
Cash, federal restricted	34,251,266	18,797,761
Cash, state restricted	96,362,411	12,000,796
Cash, donor restricted	1,623,368	1,623,368
Total cash	149,020,960	44,598,680
Cash held for beneficiaries	18,843,162	63,126,783
Investments, unrestricted	44,873,614	51,721,188
Investments, federal restricted	47,675,970	45,362,060
Investments, state restricted	82,205,782	116,544,464
Total investments	174,755,366	213,627,712
Assets held in escrow	14,679,429	14,771,140
Due from other governments		
U.S. Department of Housing and Urban Development	6,834,496	9,409,777
Accounts receivable	18,028	133,359
Total current assets	364,151,441	345,667,451
Mortgage notes receivable, net	2,801,237	3,132,245
Accrued interest receivable, net	2,918,255	3,202,832
Properties held for sale	14,325,992	61,472,607
Security deposits	122,607	-
Total long-term assets	20,168,091	67,807,684
DEFERRED OUTFLOWS	338,430	-
Total assets and deferred outflows	**$ 384,657,962**	**$ 413,475,135**
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 68,331,349	$ 66,960,911
Awards payable	5,156,820	7,953,382
Unearned revenue	28,283,185	72,086,206
Due to other governments	12,957,076	14,202,795
Total current liabilities	114,728,430	161,203,294
LONG TERM LIABILITIES		
Due to developers	592,785	1,125,509
Postemployment benefits other than pensions	3,097,615	2,643,782
Net pension liability	857,901	1,147,559
Total long term liabilities	4,548,301	4,916,850
Total liabilities	119,276,731	166,120,144
COMMITMENTS AND CONTINGENCIES		
NET POSITION		
Restricted for Federal Programs	8,817,072	54,790,930
Restricted for State Programs	192,101,567	135,605,438
Restricted by donor	1,623,808	1,623,368
Unrestricted	62,838,784	55,335,255
Total net position	265,381,231	247,354,991
Total liabilities and net position	**$ 384,657,962**	**$ 413,475,135**

See accompanying Notes to Financial Statements.

Housing Trust Fund Corporation
(a Component Unit of the State of New York)

Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended March 31, 2016	2015
REVENUES		
Federal Section 8 Project - Based Contract Administration Program	$ 1,345,095,530	$ 1,266,489,474
Federal Community Development Block Grant Disaster Recovery	810,644,542	627,809,262
Federal Section 8 Housing Choice Voucher and related programs	443,949,084	427,418,177
Federal Community Development Block Grant Program	36,453,196	36,458,350
Federal Home Investments Partnerships Program	19,992,935	27,982,672
Federal Disaster Homeowner Assistance Program	-	1,726,584
Post T- CAP Funds	-	16,679,934
Federal Social Services Block Grant	11,355,616	-
State of New York Programs	192,308,510	132,778,310
Investment income	303,544	119,349
Other	722,237	3,021,811
Total revenues	2,860,825,194	2,540,483,923
EXPENSES		
Federal Section 8 Project - Based Contract Administration Program	1,328,882,104	1,251,156,966
Federal Community Development Block Grant Disaster Recovery	854,454,894	628,998,119
Federal Section 8 Housing Choice Voucher and related programs	441,541,789	427,817,385
Federal Community Development Block Grant Program	36,461,364	36,454,085
Federal Home Investments Partnerships Program	19,992,935	28,347,828
Federal Disaster Homeowner Assistance Program	-	1,725,581
Post T-CAP Funds	1,918,091	5,610,364
Federal Social Services Block Grant	11,355,616	-
Empire State Relief Fund Program	-	3,608,286
State of New York programs	140,273,441	136,403,368
Change in provision for contingent loans, net	617,195	(496,650)
Administrative	7,301,525	7,476,345
Total expenses	2,842,798,954	2,527,101,677
CHANGE IN NET POSITION	**18,026,240**	**13,382,246**
NET POSITION, ***beginning of year***	247,354,991	235,120,304
NET POSITION, ***end of year, as originally reported***	247,354,991	248,502,550
Effect of adoption of GASB 68	**-**	**(1,147,559)**
NET POSITION, ***end of year***	**$ 265,381,231**	**$ 247,354,991**

See accompanying Notes to Financial Statements.

Housing Trust Fund Corporation
(a Component Unit of the State of New York)

Statements of Cash Flows

	Years Ended March 31, 2016	2015
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Receipts from		
Federal programs	$ 2,762,565,838	$ 2,388,455,848
New York State programs	192,308,510	133,196,537
Other programs	837,568	19,773,664
Total sources of cash	2,955,711,916	2,541,426,049
Payments for		
Federal programs	(2,696,305,534)	(2,459,752,377)
New York State programs	(140,273,441)	(136,403,368)
Other programs	(10,175,241)	(16,198,345)
Total uses of cash	(2,846,754,216)	(2,612,354,090)
	108,957,700	**(70,928,041)**
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Investments, net	39,175,890	(6,873,589)
Escrow accounts	91,711	12,652,544
Increase in unearned revenue	(43,803,021)	48,180,204
	(4,535,420)	**53,959,159**
Net increase (decrease) in cash	**104,422,280**	**(16,968,882)**
CASH, *beginning of year*	44,598,680	61,567,562
CASH, *end of year*	**$ 149,020,960**	**$ 44,598,680**
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in net position	$ 18,026,240	$ 13,382,246
Adjustments to reconcile change in net position to net cash provided (used) by operating activities		
Net investment income	(303,544)	(119,349)
Changes in		
Cash held for beneficiaries	44,283,621	(51,895,787)
Due from other governments	2,575,281	1,587,953
Accounts receivable	115,331	71,919
Mortgage notes and accrued interest receivables	615,585	(496,648)
Properties held for sale	47,146,615	(61,472,607)
Security deposits	(122,607)	-
Deferred outflows	(338,430)	-
Accounts payable and accrued liabilities	1,370,438	63,840,671
Awards payable	(2,796,562)	(24,500,141)
Due to developers	(532,724)	418,227
Due to other governments	(1,245,719)	(12,209,617)
Other postemployment benefits	453,833	465,092
Net pension liability	(289,658)	-
	$ 108,957,700	**$ (70,928,041)**

See accompanying Notes to Financial Statements.

Note 1 - Organization and Summary of Significant Accounting Policies

a. Organization

The Housing Trust Fund Corporation (Corporation) was established on February 13, 1985, by the Legislature of the State of New York. The Corporation is a component unit of the State of New York and is included in the State's financial statements. The Corporation was initially created to administer low income housing programs within New York State. The Corporation's Board of Directors is comprised of the Commissioner of the Division of Housing and Community Renewal (DHCR), the Chairman of the Housing Finance Agency, and one additional person appointed by the Commissioner. The Board is chaired by the Commissioner of DHCR. The Corporation administers the following significant programs:

Federal

- Section 8 Project-based Contract Administration Program - to provide low income housing rental subsidy to qualified landlords (previously identified as the Housing Assistance Payment Program).

- Community Development Block Grant Program Disaster Recovery - in response to Hurricane Sandy, funding was appropriated to rebuild the affected areas and provide crucial seed money to start the recovery process.

- Section 8 Housing Choice Voucher (HCV) and Related Programs - to provide low income housing rental subsidy to qualified individuals. Related programs are the five-year mainstream program and the moderate rehabilitation program.

- Home Investments Partnerships Program (HOME) - to provide funds for the construction and rehabilitation of low income housing.

- Community Development Block Grant Program - to provide various housing and economic development activities to municipalities in New York State.

State

- Low Income Trust Fund Housing Program - to provide funds for the construction and rehabilitation of low income housing.

- Public Housing Modernization and Drug Elimination Programs - to provide funds to rehabilitate state run public housing authorities and reduce drug and crime activities.

- Homes for Working Families Program - to provide funds to finance affordable housing for low income families and senior citizens by accessing tax exempt bond financing and low income housing credits.

- Medicaid Redesign Team Program - to create new supportive housing opportunities through leveraging other public and private investments to maximize potential Medicaid savings.

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

b. Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. A summary of the significant accounting policies consistently applied in the preparation of the financial statements follows.

c. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

d. New Accounting Pronouncements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* and No. 50, *Pension Disclosures,* as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*. This statement addresses an issue regarding the application of the transition provisions of Statement No. 68, *Accounting and Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

The Corporation adopted these accounting standards effective April 1, 2015. As a result of adopting these accounting standards and guidance, the Corporation now reports its proportionate share of the net pension liability, along with related deferred outflows of resources, deferred inflows of resources, and pension expense as determined by the State and Local Employee's Retirement System. The adoption of GASB 68 and 71 was applied retroactively. Accordingly, the Corporation restated its net position as of March 31, 2015, by recording it net pension liability of $1,147,559.

e. Mortgage Notes and Accrued Interest Receivables

The Corporation considers the collection of the majority of its mortgage notes and accrued interest receivable to be contingent upon certain economic and compliance matters at the mortgagor level, and therefore, collection is not reasonably assured. Accordingly, the Corporation generally reserves all balances, with the exception of certain loans that have specific repayment requirements not contingent upon economic and compliance matters or, balances which based on a review of current and prior payments, indicate that a full allowance is not necessary.

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

f. Investments

The investment policy of the Corporation follows the guidance of New York State Law and stipulates that the Corporation may invest in obligations of the State of New York, the United States government, repurchase agreements, or money market deposit accounts. Repurchase agreements must be collateralized by obligations guaranteed by the United States government, which are equal in value to the repurchase agreement. The agreements shall not exceed sixty days, and payment shall be made only upon delivery of collateral to the Corporation's agent. All investments and related collateral are held by the Corporation's agent in the Corporation's name.

g. Property Acquisition Programs

During the fiscal years ended March 31, 2016 and 2015, the Corporation acquired various properties under the Disaster Recovery Buyout program totaling approximately $232,756,705 and $153,942,356 respectively. As these properties will not be used for service delivery, the Corporation has valued them at the lower of cost or fair value, similar to property held for redevelopment. The properties acquired under the Buyout program cannot be redeveloped, and it is anticipated that they will be transferred to the State of New York, or local governments to aid in environmental preservation. Accordingly, the Corporation has not assigned any value to Buyout properties.

Properties acquired under the Disaster Recovery Acquisition program may be resold for development purposes. It is the Corporation's intention to dispose of Acquisition properties to qualified bidders under an auction process. The value of properties held under the Disaster Recovery Acquisition program totaled $14,325,992 and $61,472,600 as of March 31, 2016 and 2015, respectively. Properties acquired under the Acquisition program are valued at the lower of cost or fair value.

h. Restricted Net Position

Restricted net position of the Corporation at March 31, 2016 and 2015, consists of the following:

(a) <u>Restricted Net Position - Federal</u>

Results from funds that accumulate over time from all of the Corporation's federal programs primarily from sale of properties, mortgage collections, interest on restricted cash accounts, and surplus rental assistance payments accumulated during the current fiscal year. These funds are restricted for allowable program expenses.

(b) <u>Restricted Net Position - State</u>

Results from funds that accumulate over time from all of the Corporation's state programs primarily from mortgage collections, interest on restricted cash accounts, and as yet unexpended but committed program funds. These funds are restricted for allowable program expenses.

(c) <u>Restricted Net Position - Donors</u>

Results from funds that accumulate over time from various programs requiring escrow reserves. These funds are restricted for allowable program expenses.

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

i. Revenue Recognition

Federal awards are recognized as revenue at the time the approval of availability of funds is issued by the U.S. Department of Housing and Urban Development (HUD) or other departments and, when applicable, expenses are incurred. The Corporation recognizes appropriations from the State of New York as revenue at the time a certificate of approval of availability of funds is issued by the Division of the Budget of the State of New York and when the applicable expenses are incurred. Appropriations receivable represents the remaining balance of the amount made available by the Division of the Budget of New York State which has not been drawn down by the Corporation. Interest and other income are recognized as revenue when earned.

All revenue earned by the Corporation is considered operating revenue in support of the programs administered by the Corporation.

j. State of New York Programs

State of New York programs consist of awards primarily to fund the construction of new properties, or the rehabilitation of vacant or under-utilized property, technical assistance expenses, and foreclosure prevention education. Disbursements are made upon approval of certified vouchers. Awards which have approved certified vouchers and are not paid as of March 31 are recorded as awards payable. Technical assistance expenses are primarily construction monitoring, planning, designing, and engineering consulting fees associated with the award contracts, as well as consulting fees for training award applicants.

k. Tax Status

The Corporation is exempt from all federal and state income taxes under the provisions of the enabling legislation.

m. Subsequent Events

The Corporation has evaluated subsequent events for potential recognition or disclosure through June 22, 2016, the date the financial statements were available to be issued.

Note 2 - Cash, Restricted and Unrestricted

At March 31, 2016 and 2015, the Corporation's bank balances with M&T Bank, Bank of America, and JPMorgan Chase were fully insured by federal depository insurance or by collateral held by the Corporation's agent in the Corporation's name.

At certain points during the year ended March 31, 2016, there was insufficient collateral to fully insure the Corporation's bank balances.

Certain cash balances are restricted for programmatic purposes.

Note 3 - Investments, Restricted and Unrestricted

The Corporation's investments are comprised of United States Treasury bills, United States Treasury strips, and repurchase agreements. These investments are carried at fair value as determined by quoted market prices. All investments mature within one year, and related collateral is held by the Corporation's agent for repurchase agreements in the Corporation's name.

Certain investment balances are restricted for programmatic purposes.

Note 4 - Cash Held for Beneficiaries

Under the Federal Community Development Block Grant Disaster Recovery Program, the Corporation held federally funded cash intended for potential beneficiaries. As of March 31, 2016 and 2015, the Corporation held $18,843,162 and $63,126,783, respectively, of cash intended for beneficiaries that had not yet been expended for the program.

Note 5 - Assets Held in Escrow

Assets held in escrow include approximately $10,418,000 and $10,960,000 as of March 31, 2016 and 2015, respectively, held by the Corporation for the benefit of the New York State Division of Housing and Community Renewal (DHCR) which DHCR accumulated in connection with the administration of the Section 8 HCV Program prior to the Corporation's assumption of those responsibilities (Note 10).

In addition, the Corporation requires that operating and replacement reserves be established for construction projects. Assets held in escrow include approximately $261,000 and $3,811,000 as of March 31, 2016 and 2015, respectively, held by the Corporation for these reserves. These reserves are used to fund annual operating expenses as needed and replacement of equipment and fixtures. In construction financing projects, private developers are required to contribute an equity investment in the form of cash or an irrevocable letter of credit at the beginning of the project. The cash and investments are held by the Corporation until the project is completed, at which time it is used to establish the required reserves, or, if the reserves have been funded, returned to the developer.

Note 6 - Mortgage Notes and Accrued Interest Receivable

The Corporation administers numerous loan programs as described below. The collections of these mortgages are based upon payment terms contingent with the related underlying debt and regulatory agreements with the Corporation's mortgagors. These agreements call for repayments based upon available cash flows, noncompliance with the regulatory agreement with the Corporation, and other contingent events, such as upon the sale of the underlying real property. The underlying agreements generally require that each mortgagor have an annual audit of its financial statements, including a review of compliance with the regulatory agreement. The Corporation's loans and related allowances for contingent collections are as follows:

Note 6 - Mortgage Notes and Accrued Interest Receivable - Continued

	March 31, 2016					
Program	Mortgage Notes Receivable	Allowance for Contingent Loans	Net Mortgage Notes Receivable	Accrued Interest Receivable	Allowance for Contingent Loans	Net Accrued Interest Receivable
HOME	$ 194,865,767	$ (194,226,707)	$ 639,060	$ 5,776,859	$ (5,166,705)	$ 610,154
Housing Assistance Fund	2,000,000	(2,000,000)	-	20,856	(20,856)	-
Housing Trust Fund	656,003,510	(653,887,248)	2,116,262	31,465,222	(29,668,203)	1,797,019
Homes for Working Families	142,937,899	(142,891,984)	45,915	5,016,201	(4,753,698)	262,503
Medicaid Redesign Team Program	57,335,822	(57,335,822)	-	4,563	-	4,563
Subsidy	25,469,472	(25,469,472)	-	2,356,992	(2,334,992)	22,000
Tax Credit Assistance	88,995,135	(88,995,135)	-	1,275,167	(1,110,124)	165,043
Turnkey	97,277,458	(97,277,458)	-	1,192,696	(1,135,723)	56,973
Community Development Block Grant Disaster Recovery	18,224,546	(18,224,546)	-	-	-	-
PIP	4,899,626	(4,899,626)	-	-	-	-
Rural Community Investment Fund	4,710,000	(4,710,000)	-	-	-	-
Urban Community Investment Fund	2,425,936	(2,425,936)	-	-	-	-
Homes for Working Families; Post TCAP	10,595,643	(10,595,643)	-	-	-	-
	$ 1,305,740,814	$ (1,302,939,577)	$ 2,801,237	$ 47,108,556	$ (44,190,301)	$ 2,918,255

	March 31, 2015					
Program	Mortgage Notes Receivable	Allowance for Contingent Loans	Net Mortgage Notes Receivable	Accrued Interest Receivable	Allowance for Contingent Loans	Net Accrued Interest Receivable
HOME	$ 183,537,448	$ (182,898,388)	$ 639,060	$ 5,454,345	$ (4,732,442)	$ 721,903
Housing Assistance Fund	2,000,000	(2,000,000)	-	15,000	(15,000)	-
Housing Trust Fund	629,113,030	(626,883,981)	2,229,049	30,972,959	(29,243,178)	1,729,781
Homes for Working Families	127,011,871	(126,747,735)	264,136	4,451,701	(4,163,961)	287,740
Medicaid Redesign Team Program	23,501,288	(23,501,288)	-	6,052	-	6,052
Subsidy	27,369,472	(27,369,472)	-	2,280,486	(2,261,486)	19,000
Tax Credit Assistance	88,995,135	(88,995,135)	-	1,041,003	(906,120)	134,883
Turnkey	97,277,458	(97,277,458)	-	1,387,129	(1,083,656)	303,473
Community Development Block Grant Disaster Recovery	1,175,313	(1,175,313)	-	-	-	-
PIP	4,756,199	(4,756,199)	-	-	-	-
Rural Community Investment Fund	2,136,076	(2,136,076)	-	-	-	-
Urban Community Investment Fund	2,341,851	(2,341,851)	-	-	-	-
Homes for Working Families; Post TCAP	5,500,736	(5,500,736)	-	-	-	-
	$ 1,194,715,877	$ (1,191,583,632)	$ 3,132,245	$ 45,608,675	$ (42,405,843)	$ 3,202,832

Note 7 - Unearned Revenue

The Corporation’s unearned revenue is as follows:

	March 31, 2016	March 31, 2015
Housing Choice Voucher	$ 4,235,609	$ 3,678,824
Community Block Grant Disaster Recovery	18,843,162	63,121,620
Disaster Housing Assistance	-	1,667,667
Program Income	5,127,000	2,523,551
Unearned federal appropriations	77,414	1,094,544
	$ 28,283,185	$ 72,086,206

Note 7 - Unearned Revenue - Continued

The Corporation administers Federal Section 8 Housing Choice Voucher and Related Programs. The Corporation holds Family Self-Sufficiency (FSS) funds on behalf of Section 8 participants. The Corporation is required to disburse the funds to the participants upon completion of certain goals approved by the Corporation, or if the participant fails to complete the program, funds are recognized as additional revenue subject to the restrictions of these programs. The amount of funds held by the Corporation for the Federal Section 8 Housing Choice Voucher and FSS programs amounted to $4,235,609 and $3,678,824 at March 31, 2016 and 2015, respectively, and is included in restricted cash and restricted investments.

Under the Federal Community Development Block Grant Disaster Recovery Program, the Corporation held federally funded cash intended for potential beneficiaries (see Note 4).

The Corporation held funds for the Disaster Housing Assistance Program as the program advanced all funding for the program during fiscal year ended March 31, 2015. The amount of funds restricted for the Disaster Housing Assistance Program at March 31, 2015 was $1,667,667. This remaining amount of funding was sent back to HUD when the program ended during the year ended March 31, 2016.

The Corporation receives program income under various programs, which is required to be used for that program. As of March 31, 2016 and 2015, the program income that had been collected and not yet been disbursed out amounted to $5,127,000 and $2,523,551, respectively.

Note 8 - New York State Employees' Retirement System

Plan Description and Benefits Provided

The Corporation participates in the New York State and Local Employee's Retirement System (System), a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute.

The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Note 8 - New York State Employees' Retirement System - Continued

Plan Description and Benefits Provided - Continued

Contributions

The System is noncontributory except for employees who joined the System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3 percent of their salary for their entire length of service. Under the authority of the System, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. The Corporation's contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2016	$ 1,740,780
2015	1,444,987
2014	677,026

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

At March 31, 2016, the Corporation reported a liability of $857,901 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Corporation's proportion of the net pension liability was based on a projection of the Corporation's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At March 31, 2016, the Corporation's proportion was 0.0253949%.

For the year ended March 31, 2016, the Corporation recognized pension expense of $816,899.

At March 31, 2016, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 27,462	$ -
Net difference between projected and actual investment earnings on pension plan investments	149,007	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	161,961	-
Total	$ 338,430	$ -

Note 8 - New York State Employees' Retirement System - Continued

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

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ending December 31,		
2016	$	84,608
2017		84,608
2018		84,607
2019		84,607

Actuarial Assumptions

The total pension liability at March 31, 2016, was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2016.

Significant actuarial assumptions used in the April 1, 2014 valuation were as follows:

Actuarial Cost Method	Entry age normal
Inflation Rate	2.7 percent
Salary Scale	4.9 percent, index by service
Investment rate of return, including inflation	7.5 percent compounded annually, net of expenses
Decrement	Developed from the Plan's 20100 experience study of the period April 1, 2005 through March 31, 2010
Mortality improvement	Society of Actuaries Scale MP 2014

Annuitant mortality rates are based on April 1, 2005 - March 31, 2010 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 - March 31, 2010.

The long-term expected 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 the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015, are summarized below:

Note 8 - New York State Employees' Retirement System - Continued

Actuarial Assumptions - Continued

Asset Type	Target Allocation	Long-Term Expected Real Rate
Domestic equity	38.00%	7.30%
International equity	13.00%	8.55%
Private equity	10.00%	11.00%
Real estate	8.00%	8.25%
Absolute return strategies	3.00%	6.75%
Opportunistic portfolio	3.00%	8.60%
Real assets	3.00%	8.65%
Bonds and mortgages	18.00%	4.00%
Cash	2.00%	2.25%
Inflation-Indexed bonds	2.00%	4.00%
	100.00%	

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 System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Corporation's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5%, as well as what the Corporation's proportionate share of the net pension 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 Discount (7.5%)	1% Increase (8.5%)
Corporation's proportionate share of the net pension liability (asset)	$ 5,718,283	$ 857,901	$ (3,245,466)

Note 8 - New York State Employees' Retirement System - Continued

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the Employee's Retirement System as of March 31, 2015, were as follows (dollars in thousands):

Employers' total pension liability	$ 164,591,054
Plan net position	(161,213,259)
Employers' net pension liability	$ 3,377,795
Ratio of plan net position to the employers' total pension liability	97.9%

Note 9 - Postemployment Benefits Other Than Pensions

a. *Plan Description* - The Corporation provides continuation of medical coverage for employees who retire with at least five years of credited service with the Corporation. The Corporation will also provide coverage in the event of early retirement if the employee qualifies for a State disability pension. The Corporation contributes 90% of the costs for employees and 75% of the cost of an employee's spouse. Surviving spouses of retired employees with at least ten years' service are also eligible for continued health insurance coverage subject to a 25% co-pay.

   Substantially all of the Corporation's employees may become eligible for these benefits if they reach the normal retirement age of the respective tier of the New York State Employees' Retirement System, while working for the Corporation. The Corporation, on an annual basis, accrues the cost which represents the present value of these benefits to be paid over the estimated lives of the retirees. Amounts charged to operations totaled $480,219 and $489,820 for the years ended March 31, 2016 and 2015, respectively.

   The number of participants was as follows:

	March 31,	
	2016	2015
Active	205	120
Retirees and dependents	3	3
Total	208	123

b. *Funding Policy* - The Corporation currently pays for postemployment health care benefits to satisfy current obligations on a pay-as-you-go basis. These financial statements assume that pay-as-you-go funding will continue.

Note 9 - Postemployment Benefits Other Than Pensions - Continued

c. *Annual Other Postemployment Benefit (OPEB) Cost and Net OPEB Obligation* - The Corporation's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC).* The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Corporation's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Corporation's net obligation to the plan:

	March 31, 2016	March 31, 2015
Annual required contribution	$ 534,789	$ 534,789
Interest on net OPEB obligation	82,274	67,801
Amortization of net OPEB obligation	(136,844)	(112,770)
Annual OPEB cost/expense	480,219	489,820
Contribution made on a pay-as-you-go basis	(26,386)	(24,728)
Increase in net OPEB obligation	453,833	465,092
Net OPEB obligation, *beginning of year*	2,643,782	2,178,690
Net OPEB obligation, *end of year*	$ 3,097,615	$ 2,643,782

The Corporation's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

	March 31, 2016	March 31, 2015
Annual OPEB cost	$ 480,219	$ 489,820
Contribution for year ended March 31	26,386	24,728
Contribution as a percentage of required contribution	5.49%	5.05%

d. *Funded Status and Funding Progress* - The actuarial accrued liability for benefits was $4,007,297 as of March 31, 2014, all of which is unfunded.

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 far 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 the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

e. *Actuarial methods and assumptions:*

Funding interest rate	3.112%
2014 Drug trend rate	7.5%
2014 Medical trend rate (Medicare Eligible)	5.5%
2014 Medical trend rate (Non-Medicare Eligible)	9%
Actuarial cost method	Projected Unit Credit Method

Note 10 - Commitments and Contingencies

a. Remaining Unexpended Commitments

Since its inception in 1985, the Corporation has provided funding under various Federal and State programs.

	March 31, 2016	March 31, 2015
Obligated agreements	$ 21,846,165,878	$ 18,183,107,932
Expended	21,322,403,621	17,867,777,470
Remaining unexpended commitments	$ 523,762,257	$ 315,330,462

b. Disaster Recovery Buyout and Acquisition Program

The Corporation's administration of Buyout and Acquisition properties will require additional costs, including demolition and removal of existing structures, site remediation, infrastructure improvements, general property maintenance, and costs associated with disposition. The Corporation has not estimated the future costs that will be incurred associated with Buyout and Acquisition properties; however, the Corporation believes these costs will be reimbursed by the Federal government under the Disaster Recovery program.

c. Litigation

Like most large organizations, the Corporation is periodically involved in litigation as part of the normal course of operations. Provision in the financial statements is made when litigation and claims are determined to be probable and estimable. Such provision has been made for a certain case based on management's discussion with both internal and external legal counsels and is reported as a component of accounts payable and accrued expenses. No provision is made for early stage litigation, for which counsel and management cannot express opinions on the probable outcome.

d. Federal and State Grants

In the normal course of operations, the Corporation receives significant grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting Corporation or the Office of the New York State Comptroller, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Substantially all Federal grants are subject to either the Federal Single Audit Act or to financial and compliance audits by the grantor agencies of the Federal government, or their designee.

During the year ended March 31, 2016, the U.S. Department of Housing and Urban Development's Office of Inspector General (HUD IG) issued three audit reports which identified approximately $3.8 million in costs that they considered ineligible, and therefore, subject to repayment. The HUD IG deemed an additional $200 million in expenses as unsupported and subject to future follow-up. Management of the Corporation has responded to these audit reports and in many cases disagreed with the findings.

Management of the Corporation believes it is possible that HUD will enforce repayments on disallowed costs; however, that amount is currently not estimable.

Note 11 - Transactions with DHCR

The Corporation generally reimburses the New York State Division of Housing and Community Renewal (DHCR) for administrative expenses (principally payroll) incurred in the various Federal and State programs to the extent permitted by the Division of the Budget of New York State. The Corporation's total liability to DHCR for administrative expenses at March 31, 2016 and 2015, was $12,946,058, and $14,192,077, respectively, and is included within Due to Other Governments on the accompanying statements of net position.

Note 12 - Project Based Contract Administration Program

The current Project Based Contract Administration Program contract with HUD expires in December 2017, which is the primary source of revenue for the Corporation.

Note 13 - Accounting Pronouncements Issued Not Yet Implemented

GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information should be disclosed in the notes to the financial statements. The provisions of GASB 72 are effective for fiscal years beginning after June 15, 2015.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* GASB 75 establishes financial reporting standards for other postemployment benefits ("OPEB") plans for state and local governments. This standard replaces the requirements of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended. The statement establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources, and expense/expenditures, as well as identifying the methods and assumptions required to project benefit payments, discount projected benefit payments, to their actuarial present value, and attribute that present value to periods of employee service. Additionally, GASB 75 lays out requirements for additional note disclosures and required supplementary information. These requirements are effective for fiscal years beginning after June 15, 2015.

Management has not estimated the extent of the potential impact, if any, of these statements on the Corporation's financial statements.

Housing Trust Fund Corporation
(a Component Unit of the State of New York)

Required Supplementary Information
Schedule of Funding Progress

Schedule of Funding Progress for the Retiree Health Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
March 31, 2014	$ -	$ 4,007,297	$ 4,007,297	0.00%	$ 5,563,155	72%
March 31, 2011	-	3,358,042	3,358,042	0.00%	2,248,001	149%

Housing Trust Fund Corporation

(a Component Unit of the State of New York)

Required Supplementary Information -
Schedule of Local Government Contributions

	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 1,740,780	$ 1,444,987	$ 677,026	$ 683,989	$ 449,129	$ 179,212	$ 117,466	$ 85,781	$ 68,849
Contributions in relation to the contractually required contribution	1,740,780	1,444,987	677,026	683,989	449,129	179,212	117,466	85,781	68,849
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
Corporation's covered-employee payroll	8,946,583	6,395,198	3,444,888	3,626,507	2,193,703	1,501,469	1,374,342	1,100,496	1,063,390
Contribution as a percentage of covered-employee payroll	19.46%	22.59%	19.65%	18.86%	20.47%	11.94%	8.55%	7.79%	6.47%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Housing Trust Fund Corporation
(a Component Unit of the State of New York)

Required Supplementary Information -
Schedule of Proportionate Share of Net Pension Liability

		2016
Corporation's proportion of the net pension liability		0.0253949%
Corporation's proportionate share of the net pension liability	$	857,901
Corporation's covered-employee payroll	$	8,946,583
Corporation's proportionate share of the net pension liability as a percentage of its covered-employee payroll		9.59%
Plan fiduciary net position as a percentage of the total pension liability		97.95%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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
Housing Trust Fund Corporation
Albany, 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 statement of net position of the Housing Trust Fund Corporation (Corporation), a component unit of the State of New York, as of March 31, 2016, and the related statements of revenues, expenses, and change in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 22, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Corporation'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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SaxBST LLP

Albany, New York
June 22, 2016

Board of Directors and Management
Housing Trust Fund Corporation
Albany, New York

In planning and performing our audit of the financial statements of the Housing Trust Fund Corporation (Corporation), a component unit of the State of New York, as of and for the year ended March 31, 2016, 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, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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 Corporation'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.

Following are descriptions of other identified deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses:

1. Accounting Policies and Procedures

Finding: We noted that account reconciliations were not consistently prepared and, as a result of the audit procedures, a small number of journal entries were recorded, and passed journal entries were noted.

Recommendations: The Corporation should establish review and reconciliation policies and procedures at all levels of management. Reconciliations should be prepared and reviewed for all balance sheet accounts. The Corporation should also consider reconciling drawdowns to revenue recorded in the general ledger. A brief analytic review of current period values to prior period values may help determine if account balances appear reasonable with historical trends.

The Corporation should consider providing finance staff with the necessary training and cross-training to ensure they can prepare monthly and year-end financial reports and reconciliations in accordance with U.S. generally accepted accounting principles. This will also help staff to gain a basic understanding of all programs within the Corporation.

2. Accounts Payable Support

Finding: We noted long-standing payables were still included as payable as of March 31, 2016. In addition, supporting documentation regarding the accuracy of including these payables in accounts payable was unable to be provided. It was unclear as to whether these invoices were paid at a later date and never properly removed or are still pending to be paid.

Recommendation: The Corporation should develop a policy for tracking long-standing accounts payable to ensure their accuracy. The Corporation should give consideration to writing off long-standing accounts payables that are unlikely to be paid.

3. Collateral

Finding: We noted that as of May 31, 2015 and November 31, 2015, the Corporation lacked required collateral for the deposits held at M&T Bank. Per discussion with the Corporation, it was noted that due to internal policies at M&T Bank, only deposits through 12 p.m. on any given day can be guaranteed to be collateralized.

Recommendation: The Corporation should evaluate alternatives to help ensure that all deposits at properly collateralized.

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

SaxBST LLP

Albany, New York
June 22, 2016

ACCOUNTING / TAX / ADVISORY

Thinking Differently / Achieving More

June 22, 2016

Board of Directors
Housing Trust Fund Corporation
Hampton Plaza
38-40 State Street
Albany, New York 12207

Dear Members of the Board:

We are pleased to present this report related to our audit of the financial statements of the Housing Trust Fund Corporation (Corporation), (a component unit of the State of New York) for the year ended March 31, 2016. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Corporation's financial reporting process.

This report is intended solely for the information and use of the Board of Directors, and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the Corporation.

Very truly yours,

SaxBST LLP

Brendan K. Kennedy

Brendan K. Kennedy, Partner

BKK/dmc

26 Computer Drive West, Albany, NY 12205 / Phone: (518) 459-6700 / Fax: (518) 459-8492 / SaxBST.com

ALBANY, NY CLIFTON, NJ MINEOLA, NY NEW YORK, NY

Housing Trust Fund Corporation

(a Component Unit of the State of New York)

Communication With Those Charged With Governance
Year Ended March 31, 2016

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated March 23, 2016. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under generally accepted principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Corporation. Following is a description of accounting standards the Corporation adopted during the year to comply with accounting principles generally accepted in the United States of America (GAAP):

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. As a result of adopting GASB Statement No. 68, the Authority has recorded its proportionate share of New York State and Local Employees Retirement System net pension liability.

Accounting Policies and Practices - Continued

Adoption of, or Change in, Accounting Policies - Continued

GASB Statement No. 71, which amends Statement No. 68, to require that, when transitioning to the new pension standards, a state or local government recognize a beginning deferred outflow of resources for its pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. There was no impact to the Corporation's financial statements as a result of adopting this standard.

Significant or Unusual Transactions

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Management's Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Exhibit A, Summary of Significant Accounting Estimates.

Audit Adjustments

Audit adjustments proposed by us and recorded by the Corporation are shown on the attached Exhibit B, Summary of Recorded Audit Adjustments.

Uncorrected Misstatements

Uncorrected misstatements are summarized in the attached in Exhibit C, Summary of Uncorrected Misstatements.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

Following is a description of significant issues arising from the audit that were discussed with management.

- The administration of the Community Development Block Grant Disaster Recovery Program and contingent liabilities related to ineligible and questions costs.
- The sale and valuation of properties acquired under the Acquisition Program below the cost of acquisition.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of the Corporation, including the representation letter provided to us by management, are attached as Exhibit D.

Housing Trust Fund Corporation

(a Component Unit of the State of New York)

Summary of Significant Accounting Estimates
Year Ended March 31, 2016

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the Corporation's March 31, 2016 financial statements:

Estimate	Accounting Policy	Estimation Process
Allowance on Mortgages and Interest Receivable	Allowance is based on a review of outstanding amounts on a monthly basis.	Management determines the allowance by identifying the mortgages and related interest that have specific repayment requirements not contingent upon economic and compliance matters, subsequent payments, and a review of prior payment history.
Other Postemployment Benefits (OPEB) Liability	The Corporation recognizes a net OPEB obligation in long-term liabilities.	The estimate is developed by management with the assistance of a third-party specialist using actuarial assumptions applied to participant census and plan information.
Properties Held for Sale	The Corporation recognizes an asset for the value of all properties held for sale.	Properties are valued at the lower of cost or fair value, with an estimate for an allowance to reduce fair value as properties typically sell for amount significantly less than the purchase price. The Corporation estimates the allowance based on historical sales values data.
Net Pension Liability	The Corporation recognizes its proportionate share of the New York State and Local Employees' Retirement System net pension liability.	The Corporation's net pension liability is estimated by the New York State Office of the State Comptroller using census data supplied by participating employers and various actuarial assumptions, including but not limited to, rate of return, mortality, and inflation. The Corporation's proportionate percentage of the net pension liability is determined on an annual basis.

We have evaluated management's significant accounting estimates noted above as part of our audit, and concluded that management's estimates and the estimation process appear reasonable in the context of the financial statements taken as a whole.

Exhibit B

Housing Trust Fund Corporation

(a Component Unit of the State of New York)

Summary of Recorded Audit Adjustments
Year Ended March 31, 2016

	Effect - Increase (Decrease)				
Description	Assets	Liabilities	Net Position	Revenue	Expense
To correct entries made to net position	$ -	$ -	$ (216,465)	$ -	$ (216,465)
To record net pension liability	338,430	857,901	(1,147,559)	-	(628,088)
To increase payable to DHCR	-	319,649	-	-	319,649
To record settlement payable	-	12,500,000	-	-	12,500,000
Total Statement of Revenues, Expenses, and Changes in Net Position Effect			(11,975,096)	$ -	$ 11,975,096
Total Statement of Net Position Effect	$ 338,430	$ 13,677,550	$ (13,339,120)		

Housing Trust Fund Corporation

(a Component Unit of the State of New York)

Summary of Uncorrected Misstatements
Year Ended March 31, 2016

During the course of our audit, we accumulated uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, to the statements of financial position, results of operations, and cash flows and to the related financial statement disclosures. Following is a summary of those differences:

	Effect - Increase (Decrease)				
Description	Assets	Liabilities	Net Position	Revenue	Expense
Cumulative Carryover Impact From Previous Years					
Vacation time	$ -	$ -	$ (779,002)	$ -	$ (779,002)
Current Year Uncorrected Misstatements					
To record accrued vacation liability	-	1,011,235	-	-	1,011,235
To correct current year payroll expense	-	-	(889,641)	-	(889,641)
To correct Disaster Recovery revenue	1,757,544	-	-	1,757,544	-
To record projected misstatement in accounts payable	-	3,772,972	-	-	3,772,972
Cumulative Statement of Revenues, Expenses, and Changes in Net Position Effect			(1,358,020)	$ 1,757,544	$ 3,115,564
Cumulative Statement of Net Position Effect	$ 1,757,544	$ 4,784,207	$ (3,026,663)		

Housing Trust Fund Corporation

(a Component Unit of the State of New York)

Significant Written Communications
Between Management and our Firm
Year Ended March 31, 2016

Representation Letter

June 22, 2016

SaxBST LLP
26 Computer Drive West
Albany, New York 12205

This representation letter is provided in connection with your audits of the financial statements of the Housing Trust Fund Corporation (Corporation) (a component unit of the State of New York), which comprise the statements of net position as of March 31, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of June 22, 2016:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated March 23, 2016, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.

2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.

5. Related-party transactions, including those with New York State, have been recorded in accordance with the economic substance of the transition and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

6. All events subsequent to the dates of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

8. We have no direct or indirect legal or moral obligation for any debt of any organization, public, or private that is not disclosed in the financial statements.

9. As of and for the year ended March 31, 2016, we believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate to the financial statements taken as a whole. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

	Effect - Increase (Decrease)				
Description	Assets	Liabilities	Net Position	Revenue	Expense
Cumulative Carryover Impact From Previous Years					
Vacation time	$ -	$ -	$ (779,002)	$ -	$ (779,002)
Current Year Uncorrected Misstatements					
To record accrued vacation liability	-	1,011,235	-	-	1,011,235
To correct current year payroll expense	-	-	(889,641)	-	(889,641)
To correct Disaster Recovery revenue	1,757,544	-	-	1,757,544	-
To record projected misstatement in accounts payable	-	3,772,972	-	-	3,772,972
Cumulative Statement of Revenues, Expenses, and Changes in Net Position Effect			(1,358,020)	$ 1,757,544	$ 3,115,564
Cumulative Statement of Net Position Effect	$ 1,757,544	$ 4,784,207	$ (3,026,663)		

10. We agree with the findings of specialists in evaluating the post-employments benefits and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

11. We have not completed the process of evaluating the effect that will result from adopting the guidance in Government Accounting Standards Board (GASB) Statement Nos. 72 and 75, as discussed in Note 13. The Corporation is, therefore, unable to disclose the effect that adopting the guidance in GASB Statement Nos. 72 and 75 will have on its financial position and the results of operations when such guidance is adopted.

12. Arrangements involving restrictions on cash balances have been properly disclosed.

Information Provided

13. We have provided you with:

   a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
   b. Additional information that you have requested from us for the purpose of the audits,
   c. Unrestricted access to persons within the Corporation from whom you determined it necessary to obtain audit evidence, and
   d. Minutes of the meetings of the Board of Directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.

14. All transactions have been recorded in the accounting records and are reflected in the financial statements.
15. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
16. We have no knowledge of allegations of fraud or suspected fraud affecting the Corporation's financial statements involving:

    a. Management.
    b. Employees who have significant roles in the internal control.
    c. Others where the fraud could have a material effect on the financial statements.

17. We have no knowledge of any allegations of fraud or suspected fraud affecting the Corporation's financial statements received in communications from employees, former employees, analysts, regulators, or others.
18. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.
19. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
20. We have disclosed to you the identity of the Corporation's related parties and all related-party relationships and transactions of which we are aware.
21. We have informed you of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Corporation's ability to record, process, summarize, and report financial data.
22. We have informed you of all communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

Compliance Considerations

23. In connection with your audits conducted in accordance with *Government Auditing Standards*, we confirm that management:

    a. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.

    b. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the Corporation.

    c. Has identified and disclosed to you all instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

    d. Has identified and disclosed to you all instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.

    e. Has identified and disclosed to you all instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements.

f. Is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

g. Acknowledges its responsibility for the design, implementation, and maintenance of internal controls to prevent and detect fraud.

h. Has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts and grant agreements; or abuse that you report.

i. Has a process to track the status of audit findings and recommendations.

j. Has identified for you previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

k. Has provided views on your reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.

l. Acknowledges its responsibilities as they relate to non-audit services performed by you, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

24. With respect to the Management's Discussion and Analysis and other information presented as required by GASB to supplement the basic financial statements:

a. We acknowledge our responsibility for the presentation of such required supplementary information.
b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
c. Excluding supplemental information added due to the adoption of GASB Statement No. 68, the methods of measurement have not changed from those used in the prior period.

25. During the course of your audits, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Very truly yours,

HOUSING TRUST FUND CORPORATION

Betsy Mallow

Betsy Mallow, Executive Deputy Commissioner

Stacey C Mickle

Stacey Mickle, Director of Financial Administration
HTFC Treasurer

June 22, 2016

Board of Directors
Housing Trust Fund Corporation
38-40 State Street
Hampton Plaza
Albany, New York 12207

Dear Members of the Board:

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of the Housing Trust Fund Corporation (Corporation), a component unit of the State of New York, for the year ended March 31, 2016. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the Corporation's practices and procedures.

Current Year Comments

1. Cash Management

Comment: The Corporation administers a number of programs that are funded using Federal resources. Organizations that are funded by Federal programs on the reimbursement basis must pay program costs before reimbursements are requested from the Federal government. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the drawdown of funds from the U.S. Treasury and disbursement of the funds to program recipients. At various points during the year, we observed the Corporation with cash in excess of current disbursement needs. Based on our discussions with management, excess cash typically stems from the unpredictable nature of property acquisition closings and the signing of repair/reimbursement grant agreements.

Suggestion: We acknowledge the need to have cash on hand in advance of certain expenditures given the Corporation's programmatic responsibilities; however, we do suggest the Corporation work with the Federal government to conclude on a reasonable policy for cash management that does not interfere with program delivery.

2. Check Generation

Comment: The Corporation generates checks for program participants prior to signing finalized grant agreements under the Repairs and Reimbursement programs. As a result, a significant number of checks are voided due to time elapsing between the date of generation and the check expiration, or because of changes to the program participant's eligibility criteria, including willingness to participate in the program. Additionally, a significant number of uncashed checks are held by the Corporation in anticipation of finalizing grant agreements with program personnel.

The generation of checks in advance of finalized program eligibility determinations may put the Corporation at risk of expending Federal dollars to ineligible participants. The number of held checks also exposes the Corporation to additional risk of loss due to fraud or theft. Additionally, this process appears to place an additional burden on administrative resources within the Corporation. We also consider this process to be a driver of the cash management finding noted above.

Suggestion: We suggest that the Corporation reexamine its cash disbursement process to minimize the number of outstanding (held) and voided checks. We noted the amount of held checks decreased by approximately $45,000,000 since March 31, 2015.

3. Board Members

Comment: Enabling legislation provides for the Corporation to have three members: the Commissioner of Housing and Community Renewal, who will be the Chairperson of the Corporation, the Chairperson of the Housing Finance Agency (HFA Chairperson), or the HFA Chairperson's designee, and a member appointed by the Chairperson of the Corporation. For several years, the Corporation has only had two Board members. We also noted that certain Board members have not completed the required Authorities Budget Office training.

Suggestion: We suggest that the Corporation's Board appoint, and or work with those parties responsible for appointing the third member in order to better provide oversight, review, and monitoring of internal controls, establish polices surrounding compensation, keep apprised of and review current best government practice, and recommend updates to the Corporation's governance principles. We also suggest that management ensure that all Board members are completing required training regarding their legal, fiduciary, financial, and ethical responsibilities as directors of the Corporation.

4. Prompt Payment

Comment: The Prompt Payment Act requires New York State entities to pay invoices by specified or agreed-upon due dates and to pay interest penalties when payments are made late. During the audit, we noted the Corporation's accounts payable increased significantly due to late payments, lack of payments, or disputed amounts. In accounts payable, there are several months of invoices outstanding for each vendor.

Suggestion: The Corporation should create a method to pay invoices as soon as they are due to be in compliance with the prompt payment law and avoid prompt payment interest.

This letter is solely for the information and use of the Board of Directors, management, and others within the Corporation, and is not intended to be, and should not be used by anyone other than these specified parties. We appreciate serving the Housing Trust Fund Corporation and would be happy to assist you in addressing and implementing any of the suggestions in this letter.

Very truly yours,

SAXBST LLP

Brendan K. Kennedy

Brendan K. Kennedy, Partner

BKK/dmc