

**Town of North Hempstead
Community Development Agency
(A Component Unit of the
Town of North Hempstead, New York)**

Financial Report

December 31, 2013

**Town of North Hempstead
Community Development Agency
(A Component Unit of the Town of North Hempstead, New York)**

Financial Report

December 31, 2013

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Independent Auditor's Report

Chairman and Agency Board
Town of North Hempstead Community
Development Agency
Roslyn Heights, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Town of North Hempstead Community Development Agency (Agency) (a component unit of the Town of North Hempstead, New York), which comprise the governmental activities, each major fund, and the aggregate remaining fund information as of December 31, 2013, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of North Hempstead Community Development Agency, as of December 31, 2013, and the respective changes in financial position, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of revenues, expenditures and changes in fund balance - budget and actual, general fund, and the schedule of funding progress - other postemployment benefits on pages 3 through 11, page 31, and page 32, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2014, on our consideration of the Agency'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 Agency's internal control over financial reporting and compliance.

SaxBST LLP

Albany, New York
March 12, 2014



**Town of North Hempstead
Community Development Agency
(A Component Unit of the Town of North Hempstead, New York)**

**Management's Discussion And Analysis
December 31, 2013**

The following is a discussion and analysis of the Town of North Hempstead Community Development Agency's (Agency) financial performance for the fiscal year ended December 31, 2013. This section is a summary of the Agency's financial activities based on currently known facts, decisions, or conditions. It is also based on both the Agency-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the Agency's financial statements, which follow this section immediately.

Financial Highlights

- As of December 31, 2013, the Agency had total assets of \$5.765 million, total liabilities and deferred inflows of resources of \$1.597 million, and net position of \$4.168 million.
- Total revenues for the year ended December 31, 2013, were \$1.109 million and total expenses were \$.980 million, resulting in an excess of revenues over expenses of approximately \$130 thousand.
- The Agency purchased 265 Covert Street at a cost of \$117,361 which is included in the property held for redevelopment. The purchase costs are reimbursable through the Community Development Block Grant (CDBG) program. See Note 4c to the financial statements.
- The Agency purchased 876 Brush Hollow Road at a cost of \$249,413, which is included in the property held for redevelopment. The purchase costs have been reimbursed through the CDBG program in the amount of \$231,589 and \$17,824 from accumulated program income. See Note 4c to the financial statements. At this location, the Agency is receiving two monthly rental payments, which are included in charges for services.
- The Agency implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the year.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The financial statements include two types of statements that present different views of the Agency:

- The Agency-wide financial statements that provide both short-term and long-term information about the Agency's overall financial status are the statement of net position and the statement of activities.
- The fund-based financial statements that focus on individual parts of the Agency, reporting the Agency's operations in more detail than the Agency-wide statements, are the balance sheet - governmental fund and the statement of revenues, expenditures, and changes in fund balance - general fund. These statements attempt to explain how programs were financed in the short-term as well as what remains for future spending. Fiduciary funds statements provide information about the financial relationships in which the Agency acts solely as a trustee or agent for the benefit of others. This statement is presented alongside the balance sheet of the governmental fund.

**Town of North Hempstead
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Management's Discussion And Analysis
December 31, 2013

Overview of the Financial Statements - Continued

- Reconciliations between the two types of statements are provided to assist in understanding the differences between the two perspectives.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by the section of required supplementary information that further explains and supports the financial statements with a schedule of funding progress - other post-employment benefits plan. The Agency annually adopts a budget for its General Fund. A budgetary comparison schedule has been provided to demonstrate compliance with the adopted budget.

Table A-1 summarizes the major features of the Agency's financial statements, including the portion of the Agency's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Table A-1: Major Features of the Agency-Wide and Fund Financial Statements

	Agency-Wide Statements	Fund Financial Statements	
		Governmental Fund	Fiduciary Fund
Scope	Entire Agency (except fiduciary funds).	The activities of the Agency that are not proprietary or fiduciary.	Instances in which the Agency administers resources on behalf of others.
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Balance Sheet
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Cash Basis
Type of asset and liability information	All asset, deferred inflows/outflows of resources and liabilities, both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term; funds do not contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year.

**Town of North Hempstead
Community Development Agency
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Management's Discussion And Analysis
December 31, 2013

Overview of the Financial Statements - Continued

Agency-Wide Statements

The Agency-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Agency's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Agency-wide statements report the Agency's net position and how they have changed. Net position, the differences between the Agency's assets and liabilities, are one way to measure the Agency's financial health or position.

- 1) Over time, increases or decreases in the Agency's net position are an indicator of whether the financial position is improving or deteriorating, respectively.
- 2) To assess the Agency's overall health, you need to consider additional non-financial factors such as availability of Federal funding.

In the Agency-wide financial statements, the Agency's activities are shown as governmental activities; most of the Agency's basic services are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Agency's funds, focusing on its most significant or "major" funds - not the Agency as a whole. Funds are accounting devices the Agency uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law.
- The Agency establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (such as Federal grants).

The Agency has two kinds of funds:

Governmental funds: Most of the Agency's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that may be spent in the near future to finance the Agency's programs.

Fiduciary funds: The Agency may be the trustee or fiduciary for assets that belong to others. The Agency is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Agency excludes these activities from the Agency-wide financial statements because it cannot use these assets to finance its operations.

**Town of North Hempstead
Community Development Agency
(A Component Unit of the Town of North Hempstead, New York)**

Management's Discussion And Analysis
December 31, 2013

Overview of the Financial Statements - Continued

Changes in Net Position

The Agency's net position increased by approximately \$130,000, or 3.22% for the year ended December 31, 2013. Restricted for property held for redevelopment increased by approximately \$367,000, or 16.27%, whereas restricted for home and community services decreased approximately \$237,000, or 13.26%.

Table A-2: Condensed Statement of Net Position - Governmental Activities

	December 31,		Increase	
	2013	2012	(Decrease)	% Change
		(Restated)		
ASSETS				
Cash	\$ 1,224,631	\$ 1,033,470	\$ 191,161	18.50%
Federal aid receivable	437,018	649,403	(212,385)	-32.70%
Other receivables, net	138,453	72,966	65,487	89.75%
Prepaid expenses	33,598	31,388	2,210	7.04%
Noncurrent assets, net	3,931,234	3,735,694	195,540	5.23%
Total assets	<u>5,764,934</u>	<u>5,522,921</u>	<u>242,013</u>	4.38%
LIABILITIES				
Current				
Payables and other	97,086	85,377	11,709	13.71%
Long-term				
Compensated absences	35,000	34,960	40	0.11%
Unearned revenue	297,028	297,978	(950)	-0.32%
Other postemployment benefits	612,838	463,787	149,051	32.14%
Total liabilities	<u>1,041,952</u>	<u>882,102</u>	<u>159,850</u>	18.12%
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows, loans receivable	555,230	602,955	(47,725)	-7.92%
NET POSITION				
Investment in capital assets	-	320	(320)	-100.00%
Restricted for				
Property held for redevelopment	2,620,647	2,253,873	366,774	16.27%
Home and community service	1,547,105	1,783,671	(236,566)	-13.26%
Total net position	<u>4,167,752</u>	<u>4,037,864</u>	<u>129,888</u>	3.22%
Total liabilities, deferred inflows of resources, and net position	<u>\$ 5,764,934</u>	<u>\$ 5,522,921</u>	<u>\$ 242,013</u>	4.38%

**Town of North Hempstead
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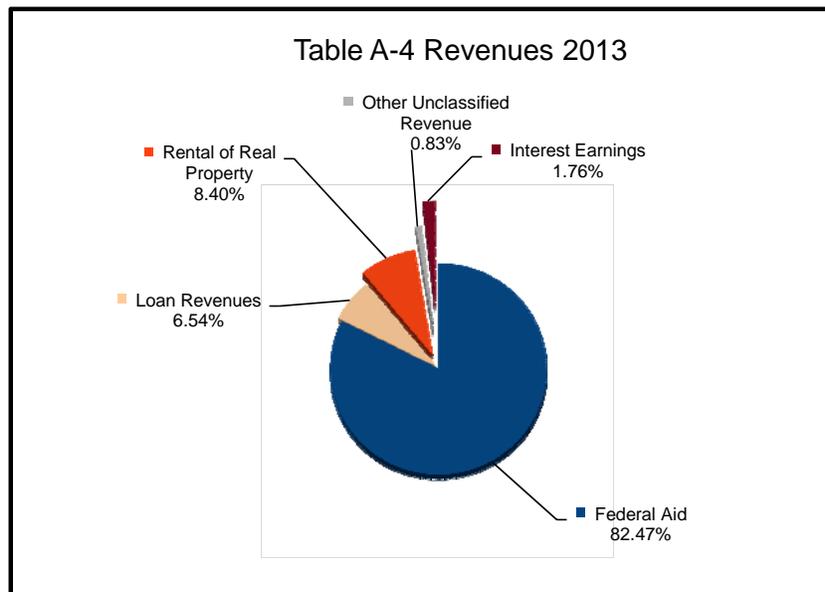
Management's Discussion And Analysis
December 31, 2013

Overview of the Financial Statements - Continued

Table A-3: Changes in Net Position - Governmental Activities Only

	Years Ended December 31,		Increase (Decrease)	% Change
	2013	2012		
REVENUES				
Program revenues				
Operating grants, federal aid	\$ 914,939	\$ 1,402,733	\$ (487,794)	-34.77%
Charges for services	174,424	423,316	(248,892)	-58.80%
General revenues				
Interest earnings	19,589	11,965	7,624	63.72%
Other revenue	498	55,295	(54,797)	-99.10%
Total revenues	<u>1,109,450</u>	<u>1,893,309</u>	<u>(783,859)</u>	-41.40%
EXPENSES				
Personal services and benefits	606,746	585,739	21,007	3.59%
Contractual and other expenditures	372,496	812,718	(440,222)	-54.17%
Unallocated depreciation	320	175	145	82.86%
Loss on sale of property	-	408,668	(408,668)	100.00%
Total expenses	<u>979,562</u>	<u>1,807,300</u>	<u>(827,738)</u>	-45.80%
Change in net position	129,888	86,009	43,879	51.02%
NET POSITION, <i>beginning of year, as restated</i>	<u>4,037,864</u>	<u>3,951,855</u>	<u>86,009</u>	2.18%
NET POSITION, <i>end of year</i>	<u>\$ 4,167,752</u>	<u>\$ 4,037,864</u>	<u>\$ 129,888</u>	3.22%

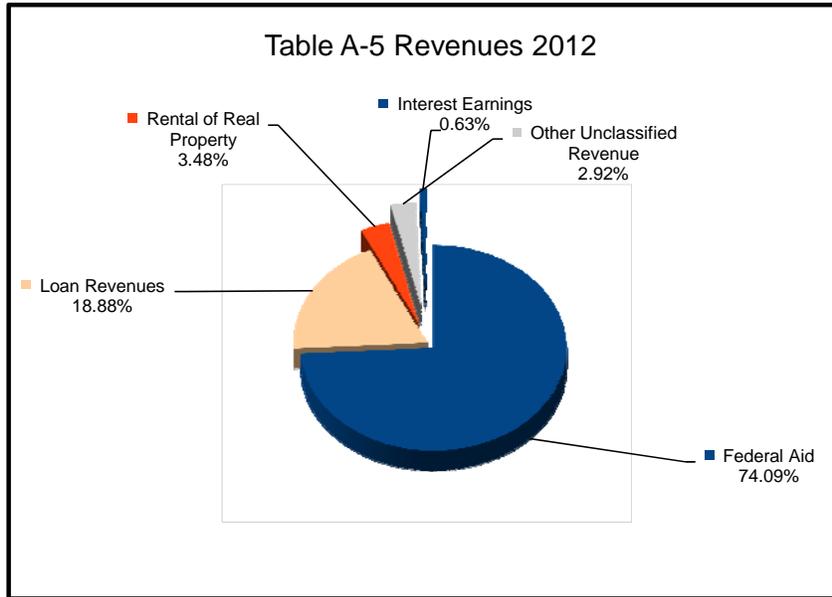
The Agency's 2013 revenues totaled \$1.109 million, a decrease of approximately \$784,000, or 41.4% when compared to total revenues for 2012. The decrease was primarily due to a new loan issued in 2012 and no loans issued in 2013. Lower federal reimbursable aid was earned due to program activities that did not come to fruition. Other revenue which included the developer fee charged in 2012, did not occur in 2013.



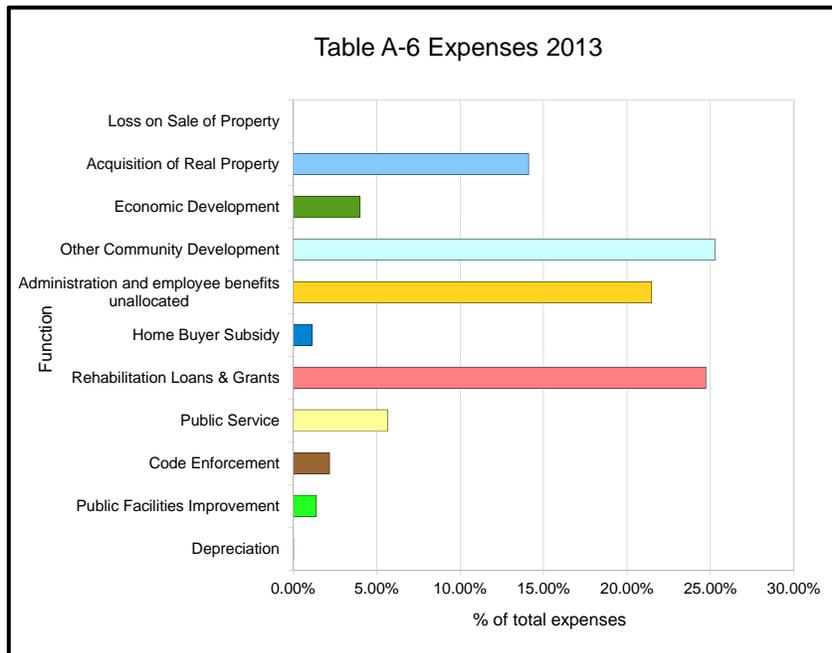
**Town of North Hempstead
Community Development Agency
(A Component Unit of the Town of North Hempstead, New York)**

Management's Discussion And Analysis
December 31, 2013

Overview of the Financial Statements - Continued



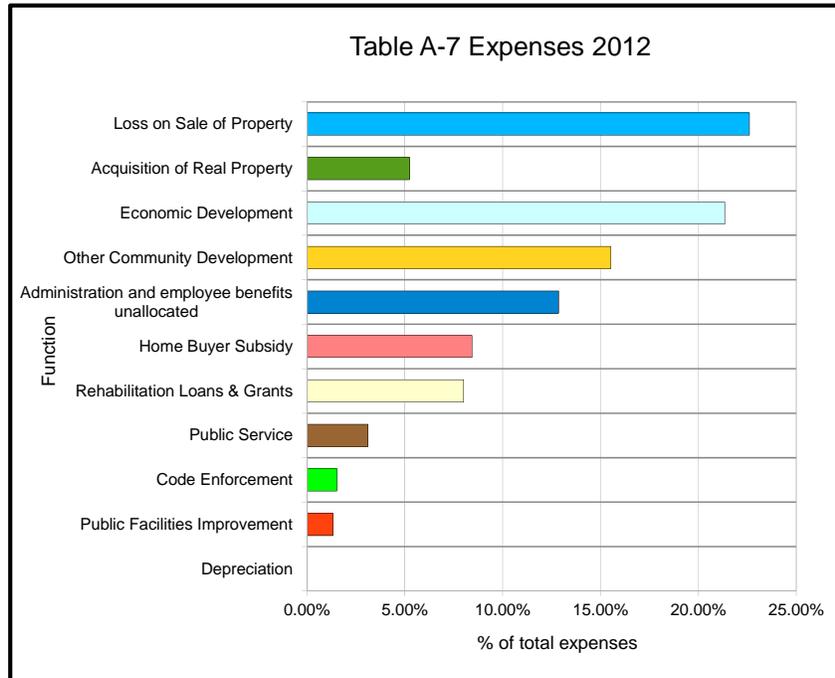
The cost of operating programs and services totaled \$979 thousand, a decrease of approximately \$419 thousand, or 30% when compared to operating expenses for 2012. The majority of the net decrease occurred in economic development and home buyer subsidy program expenses, where new loans were issued in 2012 but not in 2013. The loss on sale of Site E approximated \$409,000, or 22.61% of total expenses in 2012 and there was no sale of property in 2013.



**Town of North Hempstead
Community Development Agency
(A Component Unit of the Town of North Hempstead, New York)**

Management's Discussion And Analysis
December 31, 2013

Overview of the Financial Statements - Continued



General Fund Budgetary Highlights

a. 2013 Budget

The supplementary schedule presents original and final budget amounts, as well as actual results for the Agency's General Fund.

The Agency's General Fund adopted budget for the year ended December 31, 2013, was \$1,762,623.

b. Change in General Fund's Restricted Fund Balance (Budget to Actual)

The General Fund's restricted fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures. It is this balance that is commonly referred to as the "fund balance." The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, restricted fund balance	\$ 1,645,616
Revenue under budget	(429,820)
Expenditures and encumbrances under budget	558,979
Increase in nonspendable prepaids	(2,210)
Transfer to reserves	6,719
Capital contribution	(151,003)
	<hr/>
Closing, restricted fund balance	<u><u>\$ 1,628,281</u></u>

**Town of North Hempstead
Community Development Agency
(A Component Unit of the Town of North Hempstead, New York)**

Management's Discussion And Analysis
December 31, 2013

Overview of the Financial Statements - Continued

Revenues Under Budget

The 2013 original budget for revenues was \$1,611,620. Actual revenues received for the year were \$1,181,800. The amount of actual revenue under final budgeted revenue was \$429,820. Federal subsidies which are expenditure reimbursement driven were under budget by \$385,061, due to the timing of various program activities. The sales of real property that were budgeted for \$120,000 and the additional \$50,000 of other revenue for developer fees did not occur. This change contributed to the decrease in the Restricted General Fund - Fund Balance from December 31, 2012 to December 31, 2013.

Expenditures and Encumbrances Under Budget

The 2013 final budget for expenditures was \$1,762,623. Actual expenditures as of December 31, 2013, were \$1,196,925 and encumbrances were \$6,719. The final budget was under expended by \$558,979 relating to anticipated loan issuances for development and the home buyer subsidy expenses that did not come to fruition. This change contributed to the increase in the Restricted General Fund, Fund Balance from December 31, 2012 to December 31, 2013.

Transfer to Reserves

Increase in reserve for encumbrances has the effect of reducing the funds available for other restricted activities.

Increase in Nonspendable Fund Balance

The Agency's nonspendable fund balance related to prepaids increased by \$2,210, and has the effect of decreasing restricted fund balance.

Capital Contribution

The Agency budgeted to use fund balance to offset the reductions in revenue anticipated. The net deficiency was covered with prior years' accumulated fund balance.

Governmental Activities

The primary program activities of the Agency included:

1. Acquisition of real property
2. Rehabilitation
3. Home buyers subsidy
4. Other community development
5. Public service code enforcement
6. Economic development
7. Public facilities improvement

Substantially all of the Agency's revenues are generated through programs established by the U.S. Department of Housing and Urban Development, as administered by the County of Nassau, Office of Community Development.

**Town of North Hempstead
Community Development Agency
(A Component Unit of the Town of North Hempstead, New York)**

Management's Discussion And Analysis
December 31, 2013

Financial Analysis of the Agency's Funds

Variations between years for the governmental fund financial statements are not the same as variations between years for the Agency-wide financial statements. The Agency's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

Total assets of the General Fund decreased from \$3.268 million in 2012 to \$3.144 million in 2013. The overall decrease of \$.124 million was due to a decrease in cash, federal aid receivable, and home buyer subsidy loans receivable, offset by new residential rehabilitation loans issued.

Total liabilities and deferred inflows of resources of the General Fund decreased from \$1.591 million in 2012 to \$1.482 million in 2013. The decrease of \$.109 million is due primarily to the decrease in deferred inflows of resources related to various loan receivables.

Noncurrent Assets and Debt Administration

Noncurrent Assets

By the end of 2013, the Agency had \$2.621 million in property acquired for redevelopment. The Agency purchased 265 Covert Street and 876 Brush Hollow Road properties in 2013; this was an increase of \$366,774 over the 2012 balance of \$2.254 million. Refer to the financial highlights in this section for more information. The Agency had total loan receivables due over one year of \$1.311 million at December 31, 2013.

Long-Term Obligations

As of December 31, 2013, the Agency's long-term obligations consisted of compensated absences obligations of approximately \$35,000 and postemployment benefits of approximately \$.613 million and unearned revenues for conditional loans receivable that will be converted from loans to grants when the homeowners meet the continuing residency requirements of \$.297 million.

Factors Bearing on the Future of the Agency

The future success of the Agency and its programs is generally dependent on the continuing availability of funding from the U.S. Department of Housing and Urban Development.

Contacting the Agency's Financial Management

This financial report is designed to provide the Town's citizens and the Agency's creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

Town of North Hempstead
Community Development Agency
51 Orchard Street
Roslyn Heights, New York 11577-1326
(516) 869-2480

**Town of North Hempstead
Community Development Agency
(A Component Unit of the Town of Hempstead, New York)**

Statement of Net Position

	<u>December 31, 2013</u> <u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 1,224,631
Receivables	
Federal aid receivable	437,018
Loans receivable, current	87,137
Conditional loans receivable, current	48,000
Accounts receivable, net	3,038
Interest receivable	278
Prepaid expenses	33,598
Total current assets	<u>1,833,700</u>
NONCURRENT ASSETS	
Loans receivable, due after one year	1,013,559
Conditional loans receivable, due after one year	297,028
Property held for redevelopment	2,620,647
Total noncurrent assets	<u>3,931,234</u>
Total assets	<u>\$ 5,764,934</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 45,336
Unearned revenues, grant advance	3,750
Unearned revenues, conditional loans receivable	48,000
Total current liabilities	<u>97,086</u>
NONCURRENT LIABILITIES	
Long-term liabilities, due after one year	
Unearned revenues	297,028
Compensated absences	35,000
Post-employment benefits	612,838
Total noncurrent liabilities	<u>944,866</u>
Total liabilities	<u>1,041,952</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows, loans receivable	<u>555,230</u>
NET POSITION	
Restricted for	
Property held for redevelopment	2,620,647
Home and community service	1,547,105
Total net position	<u>4,167,752</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 5,764,934</u>

See accompanying Notes to Financial Statements.

**Town of North Hempstead
Community Development Agency
(A Component Unit of the Town of Hempstead, New York)**

Statement of Activities

Functions/Programs	Year Ended December 31, 2013			
	Expenses	Operating Grants	Charges for Services	Net Revenue (Expense)
Acquisition of real property	\$ 138,280	\$ 393,775	\$ -	\$ 255,495
Economic development	39,288	22,957	-	(16,331)
Other community development	247,424	113,471	93,148	(40,805)
Administration and employee benefits, unallocated	210,417	139,665	-	(70,752)
Home buyer subsidy program	11,054	5,159	-	(5,895)
Rehabilitation	242,299	167,131	81,276	6,108
Public service	55,410	55,410	-	-
Code enforcement	21,443	10,597	-	(10,846)
Public facilities improvement	13,627	6,774	-	(6,853)
Unallocated depreciation	320	-	-	(320)
Total governmental activities	<u>\$ 979,562</u>	<u>\$ 914,939</u>	<u>\$ 174,424</u>	<u>109,801</u>
GENERAL REVENUES				
				636
				18,953
				498
				<u>20,087</u>
				129,888
				<u>4,037,864</u>
				<u>\$ 4,167,752</u>

**Town of North Hempstead
Community Development Agency
(A Component Unit of the Town of Hempstead, New York)**

Balance Sheets - Governmental and Fiduciary Funds

	December 31, 2013	
	General Fund	Agency Fund
ASSETS		
Cash	\$ 1,224,631	\$ 11,166
Receivables		
Federal aid receivable	437,018	-
Residential rehab loans receivable	689,280	-
Home buyer subsidy loans receivable	173,853	-
Commercial rehab loans receivable	49,527	-
Economic development loan receivable	533,064	-
Accounts receivable (net of allowance)	3,038	-
Interest receivable	278	-
Prepaid expenses	33,598	-
	\$ 3,144,287	\$ 11,166
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE		
Accounts payable and accrued expenses	\$ 45,336	\$ -
Deposits	-	11,166
Unearned revenues	3,750	-
Total liabilities	49,086	\$ 11,166
Deferred inflow of resources	1,433,322	
Fund balance		
Non-spendable	33,598	
Restricted, Federal Programs	1,628,281	
Total fund balance	1,661,879	
	\$ 3,144,287	

See accompanying Notes to Financial Statements.

**Town of North Hempstead
Community Development Agency
(A Component Unit of the Town of Hempstead, New York)**

Reconciliation of Governmental Fund Balance Sheet
to Statement of Net Position

	December 31, 2013
Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balance - governmental funds	\$ 1,661,879
Property held for redevelopment used in governmental activities is not a financial resources and, therefore, is not reported in the funds.	2,620,647
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	35,000
Postemployment benefits	<u>612,838</u>
	(647,838)
The Agency's revenues related to economic development loans are not available soon enough to pay for current period's expenditures and, therefore, are deferred in the funds.	
	<u>533,064</u>
Net position - governmental activities	<u><u>\$ 4,167,752</u></u>

**Town of North Hempstead
Community Development Agency
(A Component Unit of the Town of Hempstead, New York)**

Statement of Revenues, Expenditures, and
Changes In Fund Balance - General Fund

	<u>Year Ended December 31, 2013</u>
REVENUES	
Federal aid	\$ 914,939
Loan repayments	144,522
Use of money and property	
Interest earnings on investments	1,042
Interest on economic development loan	18,953
Rental of real property	93,148
Other unclassified revenue	9,196
Total revenues	<u>1,181,800</u>
EXPENDITURES	
Acquisition of real property	444,478
Economic development	34,576
Other community development	217,748
Home buyer subsidy program	9,728
Administration	143,327
Rehabilitation	213,238
Employee benefits, unallocated	47,556
Public service	55,410
Code enforcement	18,871
Public facilities improvement	11,993
Total expenditures	<u>1,196,925</u>
Deficiency of revenues under expenditures	(15,125)
FUND BALANCE, <i>beginning of year</i>	<u>1,677,004</u>
FUND BALANCE, <i>end of year</i>	<u><u>\$ 1,661,879</u></u>

See accompanying Notes to Financial Statements.

**Town of North Hempstead
Community Development Agency
(A Component Unit of the Town of Hempstead, New York)**

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance - General Fund to the Statement of Activities

	<u>Year Ended December 31, 2013</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balance, governmental funds	\$ (15,125)
Accrued interest for governmental activities is not available for use in current financial resources and, therefore, is not recorded in the governmental funds.	(406)
Governmental funds report capital outlays as expenditures. This is the amount expended in the governmental funds for property held for redevelopment in the period.	366,774
The Agency's revenues related to economic development loans are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds. Collections on economic development loans are reported as revenues in the funds.	(71,944)
Loss on the sale of real property is reflected as a nonoperating expense for the difference in amount received for the property sold from its book value.	
Depreciation expense on capital assets is reported in the agency-wide statement of activities and changes in net position, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(320)
Changes in compensated absence liability is reported as an increase in benefits in the statement of activities, but does not involve the use of current resources and, therefore, is not reported as an expenditure in the governmental funds.	(40)
Changes of post-employment expense are reported as an increase in benefits in the statement of activities, but do not involve the use of current resources and, therefore, are not reported as an expenditure in the governmental funds.	<u>(149,051)</u>
Change in net position of governmental activities	<u><u>\$ 129,888</u></u>

See accompanying Notes to Financial Statements.

**Town of North Hempstead
Community Development Agency
(A Component Unit of the Town of Hempstead, New York)**

Notes to Financial Statements
December 31, 2013

Note 1 - Organization and Summary of Significant Accounting Policies

The accompanying financial statements of the Town of North Hempstead Community Development Agency (the Agency) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Significant government accounting policies are described below.

a. Reporting Entity

The Agency was established in 1967 as the Urban Renewal Agency of the Town of North Hempstead (the Town) under the general laws of the State of New York and various local laws. In 1978, its name was changed to its present designation. The Agency is a public benefit corporation created by state legislation to promote the safety, health, and welfare of the Town's inhabitants and to promote the sound growth and development of the Town. The Board of Directors is the legislative body responsible for overall operations. The Executive Director serves as the chief executive officer.

The Agency provides a full range of community development services, including construction of affordable housing, residential and commercial land acquisition, code enforcement services, public facility improvements, and assistance to public service organizations.

In evaluating how to define the Agency for financial reporting purposes, management has considered all of the following criteria used to determine if an entity is a component unit. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to influence operations significantly, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Town and/or its citizens, or whether the activity is conducted within geographic boundaries of the Town and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities.

Based on the application of these criteria, the Agency is a component unit of the Town of North Hempstead and is included in that reporting entity's financial statements.

b. Basis of Presentation

Agency-wide statements - the statement of net position and the statement of activities present financial information about the Agency's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Agency's governmental activities. Direct expenses are restricted to meeting the operational or capital requirements of a particular program. Program revenues include operating grants from the Federal Community Development Block Grant and charges for services which include loan satisfactions and rental of real properties. Revenues that are not classified as program revenues are presented as general revenues.

**Town of North Hempstead
Community Development Agency
(A Component Unit of the Town of Hempstead, New York)**

Notes to Financial Statements
December 31, 2013

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

b. Basis of Presentation - Continued

Fund financial statements - the Agency uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The fund statements provide information about the Agency's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The only governmental fund of the Agency is the General Fund.

The Agency records its transactions in the fund types described below:

Governmental funds - are those through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is based on the determination of financial position and changes in financial position (the sources, uses, and balances of current financial resources).

The following is the Agency's governmental fund type:

General Fund - This is the Agency's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Fiduciary funds - are used to account for assets held by the Agency in a trustee or custodial capacity. The Agency's fiduciary fund type is the Agency Fund. Fiduciary activities are those in which the Agency acts as trustee or agent for resources that belong to others. These activities are not included in the Agency-wide financial statements, because their resources do not belong to the Agency, and are not available to be used.

c. Basis of Accounting/Measurement Focus

The Agency-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Allocation of indirect costs related to long-term employee benefits is on a percentage of salary basis. Nonexchange transactions, in which the Agency gives or receives value without directly receiving or giving equal value in exchange, include grants and donations. On an accrual basis, revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Agency considers all revenues reported in the governmental funds to be available if the revenues are collected within a reasonable period of time after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, and judgments, which are recognized as expenditures to the extent they have matured. General capital asset and property held for redevelopment acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**Town of North Hempstead
Community Development Agency
(A Component Unit of the Town of Hempstead, New York)**

Notes to Financial Statements
December 31, 2013

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

c. Basis of Accounting/Measurement Focus - Continued

The fiduciary funds are reported on the cash basis of accounting. Under this method, assets and liabilities are recognized upon receipt of the asset giving rise to the fiduciary liability.

d. Assets, Liabilities, and Fund Balance

Cash - The Agency pools cash resources of all funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

Loans Receivable - All loans receivable are reported at their gross value and are secured by liens filed against various residential and commercial properties. Loans receivable include the residential and commercial loans which are collectible in the future. The Agency makes loans and grants under four programs:

1. Deferred Payment Loans (DPL) - These loans are made to low income families and are secured by a mortgage or deed of trust. DPL's are payable upon a change in occupancy.
2. Conditional Loans - These loans are made to homeowners and are convertible to a grant after five years of maintaining the household.
3. Commercial Loans - These loans are made to owners of business properties to improve their buildings and increase their working capital.
4. Economic Development Loans - These loans are made to owners of businesses for building acquisitions and/or renovations, working capital, and/or the purchase of machinery and equipment.
5. Home Buyer Subsidy Loans - These loans are made to buyers to purchase affordable homes with five year pro rata recapture of grant, reduced 20% per year if occupancy obligations are met.

The Agency utilizes various procedures to collect the loans when they become payable or in default. If payment is not received on a timely basis, a demand letter is sent. All available economically feasible legal remedies are pursued.

Investments - The Agency's investment policies are governed by Federal and New York State statutes. The Agency also has a written policy which restricts investments to cash and cash equivalents, including money market funds in interest bearing accounts. The Agency had no investments at December 31, 2013.

The Agency's management has the authority to implement the Agency's investment policies. The Agency requires the Trust Department of each bank at which cash has been deposited to collateralize the federally uninsured balances by pledging short-term United States Treasury or New York State municipal securities. Measures are taken by the Agency to ensure that the market value of such collateral is equal to or greater than the value of the related investment.

**Town of North Hempstead
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Notes to Financial Statements
December 31, 2013

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

d. Assets, Liabilities, and Fund Balance - Continued

Noncurrent Assets - The purchase method is used to account for property acquired for redevelopment. Under the purchase method, the cost of property is recorded as an expenditure in the general fund and a noncurrent asset in the Agency-wide fund, when the property is acquired. Property acquired for redevelopment is not depreciated.

Property acquired for redevelopment is eventually sold to developers to construct properties in accordance with the New Cassel Development Plan.

Capital assets are stated at cost and include all capital assets in excess of \$2,500 after January 1, 2011, and \$500 prior to that date. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets.

Depreciation is recorded on the straight-line method over the respective lives of the various assets. The estimated useful life of equipment is 60 months.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items using the consumption method in both the Agency-wide and fund financial statements.

Amounts reported as prepaid expenses in the fund financial statements are offset by the same amount in the component of nonspendable fund balance - not in spendable form to indicate that these amounts do not constitute available spendable resources, even though they are a component of current assets.

Deferred Outflow of Resources - The Agency applies the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and during 2013 adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. A deferred outflow of resources is a consumption of net position by the Agency that is applicable to a future period. The Agency reported no deferred outflows of resources at December 31, 2013.

Deferred Inflow of Resources/Deferred Revenues - As noted earlier, the Agency applies the provisions of GASB Statement Nos. 63 and 65. In addition to separating deferred outflows of resources from assets, these statements require the removal from liabilities and separate presentation of deferred inflows of resources in the financial statements. A deferred inflow of resources is an acquisition of resources by the Agency that is applicable to a future reporting period. Deferred revenues are reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. These amounts are recorded as deferred inflows of resources. In subsequent periods, when the availability criterion is met, deferred revenues are reclassified as revenues. In the Agency-wide financial statements, deferred revenues are generally treated as revenues. Those conditional loan receivables that may be converted to grants and not revenue, if occupancy conditions are met, are classified as deferred inflows-loans receivable on the statement of net position. In the Agency fund statements, the deferred inflows of resources of \$1.433 million represent those loans not expected to be received within the recognition period.

**Town of North Hempstead
Community Development Agency
(A Component Unit of the Town of Hempstead, New York)**

Notes to Financial Statements
December 31, 2013

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

d. Assets, Liabilities, and Fund Balance - Continued

Unearned Revenue - Unearned revenues arise when the Agency receives resources before it has legal claim to them, as when grant monies are received in advance from payers prior to the expenditure being made by the Agency. In subsequent periods, when the Agency has legal claim to the resources, the liability for unearned revenues is removed and revenues are recorded. The Agency reported unearned revenue of \$3,750 at December 31, 2013, for grant advances.

Net Position - In the Agency-wide statements, there are two classes of net position:

Net Investment in Capital Assets - Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction, or improvement of those assets. The Agency's capital assets consisted of equipment and were fully depreciated as of December 31, 2013. Accordingly, the Agency's net position does not include net investment in capital assets as of December 31, 2013.

Restricted - Reports all other net assets that do not meet the above classification and are deemed to be available for use by the Agency in conducting the federal program objectives. The restricted category is subdivided into Property held for Redevelopment and Home and Community Services under the Federal Community Development Block Grant provisions.

Fund Statements

In the fund basis financial statements, there are five classifications of fund balance:

Nonspendable fund balance - Includes amounts that cannot be spent because they either are not in spendable form or legally or contractually required to be maintained intact. The Agency's non-spendable fund balance includes prepaid expenses.

Restricted fund balance - Includes amounts with constraints placed on the use of resources either externally imposed by grantors, creditors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The Agency's remaining fund balance after non-spendable fund balance is fully restricted due to program guidelines for federal aid.

The other types of fund balances that are currently not used by the Agency are:

Committed fund balance - Includes amounts with constraints imposed by formal action of the Agency's highest level of decision making authority.

Assigned fund balance - Includes amounts with constraints placed by the Agency's intent to be used for specific purposes, but is not restricted or committed.

Unassigned fund balance - Includes all other amounts that do not meet the definition of the above four classifications and are deemed to be available for general use.

Total fund balance of the Agency's general fund differs from "net position" of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term focus of the statement of net position versus the solely current financial resource focus of the General Fund balance sheet.

**Town of North Hempstead
Community Development Agency
(A Component Unit of the Town of Hempstead, New York)**

Notes to Financial Statements
December 31, 2013

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

e. Encumbrances

In the General Fund, encumbrance accounting under which contracts and other commitments for the expenditure of monies are recorded is generally employed as an extension of formal budgetary integration, and encumbrances outstanding at the end of the year of approximately \$7,000 are reported as restriction of fund balance.

f. Expenditures

Compensated Absences - Vested or accumulated vacation or sick leave of governmental funds that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the General Fund. In accordance with the provisions of Statement No. 16 of the GASB, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Employees of the Agency may carry over unused vacation, personal, and sick days as stipulated by various union contracts. The Agency's union employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and personal leave at various rates subject to certain maximum limitations.

g. Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

h. Subsequent Events

The Agency has evaluated subsequent events for potential recognition or disclosure through March 12, 2014, the date the financial statements were available to be issued.

Note 2 - Changes in Accounting Principles

The Agency adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The provisions of GASB 65 establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses or expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities. The Agency has determined that certain unearned revenues no longer meet the definition of liability and; therefore, presented these items as deferred inflows of resources for the period ended December 31, 2013.

**Town of North Hempstead
Community Development Agency
(A Component Unit of the Town of Hempstead, New York)**

Notes to Financial Statements
December 31, 2013

Note 3 - Stewardship, Compliance, and Accountability

The Agency prepares budgets for its Block Grant and administration expenses. The Agency's management accumulates budgetary data and submits a tentative administrative budget to the Agency's Board of Directors during or before January of each year. A public hearing is held for the purpose of discussing the proposed Block Grant budget prior to the end of March of each year. The Agency then submits this budget in the form of an application to the Nassau County Office of Housing and Intergovernmental Affairs (Nassau County) for its approval subject to changes. On or before June 18th, Nassau County approves the allotment for the program year which is then officially accepted by the Community Development Agency Board of Directors. The Board then approves the administrative budget based on the allotment. The Agency's Board of Directors is authorized to enter into amendatory agreements with Nassau County and empowers the Agency to transfer or increase grant amounts within the Block Grant categories.

The Block Grant Funds are budgeted on a project basis as of September 1 of each year. The expenditures for projects may extend over several fiscal years.

The Agency is a Public Authority under the New York State Public Authorities Accountability Act of 2005 and the Reform Act of 2009. As such, it is required to adopt an Annual Agency budget sixty days before the beginning of its calendar year.

The annual General Fund budget is adopted on the modified accrual basis of accounting.

Transfers between major objects of expenditures in accordance with the Block Grant may be made by the Executive Director and subsequently approved by the Board of Directors. Transfers between Block Grant grant years and program lines are subject to public notice.

Appropriations in all budgeted funds lapse at the end of the year, except that outstanding encumbrances are re-appropriated in the subsequent year pursuant to the Uniform System of Accounts promulgated by the New York State Office of the State Comptroller.

Note 4 - Detail Notes on all Funds

a. Cash

Cash consists of the following:

	December 31, 2013
Checking accounts	\$ 471,715
Money market	752,714
Checking account, escrow	11,166
Petty cash	202
Total cash	\$ 1,235,797

At December 31, 2013, cash balances reported by the Agency's banks totaled \$1.241 million, and were insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized with the securities held by its agent in the name of the Agency.

**Town of North Hempstead
Community Development Agency
(A Component Unit of the Town of Hempstead, New York)**

Notes to Financial Statements
December 31, 2013

Note 4 - Detail Notes on all Funds - Continued

b. Loan Receivables and Write-Offs

	January 1, 2013	Increases	Decreases	December 31, 2013	Due Within One Year	Noncurrent
Residential loans						
Conditional loans, convertible after five years to grant	\$ 124,125	\$ 47,050	\$ -	\$ 171,175	\$ -	\$ 171,175
Interest-bearing Deferred loans, rate of 1%, term ends at change in occupancy	-	790	-	790	-	790
Interest-free Deferred loans, payable at change in occupancy	553,428	24,063	60,176	517,315	12,402	504,913
	<u>677,553</u>	<u>71,903</u>	<u>60,176</u>	<u>689,280</u>	<u>12,402</u>	<u>676,878</u>
Commercial loans	49,527	-	-	49,527	-	49,527
Economic development loan 1, seven-year term at 3.25%, payments due annually on January 20	305,008	-	46,384	258,624	47,894	210,730
Economic development loan 2, ten-year term at 3.25%, first payment due January 27, 2013	300,000	-	25,560	274,440	26,841	247,599
	<u>605,008</u>	<u>-</u>	<u>71,944</u>	<u>533,064</u>	<u>74,735</u>	<u>458,329</u>
Home buyer subsidy loans, convertible over five years to grant at 20% per year	221,853	-	48,000	173,853	48,000	125,853
Total loan receivables	<u>\$ 1,553,941</u>	<u>\$ 71,903</u>	<u>\$ 180,120</u>	<u>\$ 1,445,724</u>	<u>\$ 135,137</u>	<u>\$ 1,310,587</u>

The Agency did not write off any deferred loans during the year.

c. Noncurrent Assets, Excluding Loans Receivable

Noncurrent asset activity was as follows:

	January 1, 2013	Additions	Deletions	December 31, 2013
Property acquired for redevelopment	\$ 2,253,873	\$ 366,774	\$ -	\$ 2,620,647
Capital assets, equipment	43,127	-	-	43,127
Less accumulated depreciation	42,807	320	-	43,127
Capital assets, net	<u>320</u>	<u>(320)</u>	<u>-</u>	<u>-</u>
Noncurrent assets, net	<u>\$ 2,254,193</u>	<u>\$ 366,454</u>	<u>\$ -</u>	<u>\$ 2,620,647</u>

Depreciation expense for the year was reported as not allocated.

d. Retirement System

The Agency participates in the New York State and Local Employees Retirement System ("ERS") referred to herein as the "System." This is a cost-sharing, multiple-employer defined benefit retirement plan. The System provides retirement benefits, as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds. The system issued a publicly available financial report has included financial statements and required supplementary information. The report may be obtained by writing to the New York State and Local Retirements Systems, 110 State Street, Albany, New York 12244 or accessed at <http://www.osc.State.ny.us/retire/>.

**Town of North Hempstead
Community Development Agency
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Notes to Financial Statements
December 31, 2013

Note 4 - Detail Notes on all Funds - Continued

d. Retirement System - Continued

Funding Policy

Employer and employee contribution rates are actuarially determined and based upon membership plan and tier. Contributions consist of a pension contribution and a group term life insurance portion (GTLI) component.

The System is noncontributory for employees who joined the New York State and Local Employee's Retirement System prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary for the first ten years of membership. For employees who joined after January 1, 2010, they contribute 3% of their salary throughout their active membership. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed as proportions of members' payroll annually which are used in computing the employers' contributions required to be made by employers to the pension accumulation fund.

The required contributions for the current year and two preceding years were:

<u>Year</u>	<u>Annual Contribution</u>	<u>Interest and Amortization</u>	<u>Total Annual Payment</u>
2013	\$ 56,965	\$ 3,193	\$ 60,158
2012	49,059	5,589	54,648
2011	36,287	2,348	33,939

These contributions were equal to 100% of the actuarially required contribution for each respective year.

Since 1989, the System's billings have been based on Chapter 62 of Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ended March 31, 1988 and 1989 (which otherwise were to have been paid on June 30, 1989 and 1990, respectively) over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability. There was no unpaid liability at the end of the fiscal year 2013.

Chapter 260 of the Laws of New York State changed the annual payment due date for employers who participate in the New York State and Local Employees' Retirement System. The December 15 payment due date changed to February 1. The covered salary period (April 1 - March 31) will not change for the calculation.

e. Compensated Absences

A summary of changes in compensated absences for the year ended December 31, 2013, is as follows:

	<u>Balance January 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2013</u>
Compensated absences	<u>\$ 34,960</u>	<u>\$ 33,016</u>	<u>\$ 32,976</u>	<u>\$ 35,000</u>

**Town of North Hempstead
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Notes to Financial Statements
December 31, 2013

Note 4 - Detail Notes on all Funds - Continued

f. Other Unclassified Revenue

The amount of other unclassified revenue received for the year ended December 31, 2013, was as follows:

Reimbursement for attorney's fees from delinquent homeowner	8,698
Late fees on loans	146
Miscellaneous	352
	\$ 9,196

g. Post-Employment Benefits

In the government-wide financial statements, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. In applying the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the Agency recognizes the costs of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Agency's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 27 years.

Plan Description - The Agency, as a single-employer defined benefit plan, per its contracts with employees, pays a percentage of the premium costs for the medical and prescription drug benefits provided through the New York State Health Insurance Program (NYSHIP) based on the years of service. Active and retired employees of the Agency have the Empire PPO Plan (Core Plus Enhancements). The Empire Plan has separate pre-Medicare and Medicare rates. Retiree claim costs are equal to the costs incurred by the NYSHIP Empire Plan, plus administrative fees. For calendar year 2013, the Medicare Part B premium for Medicare eligibles was reimbursed at \$104.90 per month. Upon death of a retiree, the spouse may continue to receive coverage but must pay fifteen percent more in premiums. Substantially all of the Agency's employees may become eligible for these benefits if they reach age 62 and attained 10 years of service while working for the Agency.

The number of participants as of January 1, 2013, was as follows:

Active employees	3
Retired members	4
	7
Total	7

**Town of North Hempstead
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Notes to Financial Statements
December 31, 2013

Note 4 - Detail Notes on all Funds - Continued

g. Post-Employment Benefits - Continued

Funding Policy - The Agency currently pays for post-retirement health care benefits on a pay-as-you-go basis. These financial statements assume that pay-as-you-go funding will continue.

Benefit Obligations and Normal Costs

Actuarial accrued liability (AAL)	\$ 933,570
Actuarial value of plan assets	<u>-</u>
Underfunded actuarial accrued liability (UAAL)	<u>\$ 933,570</u>
Funded ratio	0.00%
Covered payroll	\$ 282,824
UAAL as a percentage of covered payroll	330.09%
Calculation of ARC under projected unit credit method annual required contribution (ARC)	<u>\$ 179,041</u>

Annual OPEB Cost Contribution

Contribution made by the Agency	\$ 18,960
Contribution as a percentage of required contribution	10.59%

Annual OPEB Cost and Net OPEB Obligation

Annual required contribution	\$179,041
Interest on net OPEB obligation	9,276
Adjustment to annual required contribution	<u>(20,306)</u>
Annual OPEB cost (expense)	168,011
Contribution made on a pay-as-you-go basis	<u>(18,960)</u>
Increase in net OPEB obligation	149,051
Net OPEB obligation at beginning of year	<u>463,787</u>
Net OPEB obligation at end of year	<u>\$ 612,838</u>

Actuarial methods and assumptions:

Funding interest rate (assuming benefits are not prefunded)	2.00%
2013 medical trend rate (Medical, Medicare, Dental/Vision)	10%, 8%, 6%
Ultimate trend rate (Medical, Medicare, Dental/Vision)	5%, 5%, 4%
Year ultimate trend rate rendered	2023
Annual payroll growth rate	-
Actuarial cost method	Projected Unit Credit
The remaining amortization period at December 31, 2013	27 years

**Town of North Hempstead
Community Development Agency
(A Component Unit of the Town of Hempstead, New York)**

Notes to Financial Statements
December 31, 2013

Note 4 - Detail Notes on all Funds - Continued

h. Contingencies

1) Federal Funding

The Agency has received significant federal funding which is subject to audit by agencies of the state and federal governments. Such audits may result in a disallowance and a request for a return of funds to the federal and state governments. Based on past audits, management believes disallowances, if any, would be immaterial.

2) Pending Litigation

The Agency is involved in certain suits and claims arising from a variety of sources. It is the opinion of Counsel that the liabilities that may arise from such actions would not result in losses that would materially affect the financial position of the Agency or the results of its operations.

3) Environmental Risks

Certain facilities are subject to federal, state, and local regulations relating to the discharge of materials into the environment. Compliance with these provisions has not had, nor does the Agency expect such compliance to have, any material effect upon the capital expenditures or financial condition of the Agency. The Agency believes that its current practices and procedures for control and disposition of regulated wastes comply with applicable federal, state, and local requirements.

i. Operating Leases

The Agency leases various pieces of equipment. The monthly cost is \$550 with lease terms ranging from six to seven months remaining. The copier lease carries a clause allowing for an annual increase on the anniversary of the lease. The minimum remaining non-cancelable lease payments are as follows:

For the year ending December 31, 2014	<u>\$ 3,520</u>
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j. Accounting Pronouncements Issued Not Yet Implemented

In June 2012, GASB issued 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.

**Town of North Hempstead
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Notes to Financial Statements
December 31, 2013

Note 4 - Detail Notes on all Funds - Continued

j. Accounting Pronouncements Issued Not Yet Implemented - Continued

The scope of this statement also addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have certain characteristics as defined in the statement. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. This statement is effective for periods beginning after June 15, 2014, with early implementation encouraged.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement established accounting and financial reporting standards related to government combinations and disposals of government operations. Government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement provides specific accounting and financial reporting guidance for combinations in this environment and improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The requirements of this statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement provides financial reporting and disclosure guidance to those governments that extend and receive nonexchange financial guarantees, thereby enhancing comparability of financial statements among governments. The provisions of this statement are effective for reporting periods beginning after June 15, 2013.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement amends paragraph 137 of statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this statement are required to be applied simultaneously with the provisions of statement No. 68.

Management has not estimated the extent of the potential impact of these statements on the Agency's financial statements.

**Town of North Hempstead
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Required Supplementary Information -
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund

Year Ended December 31, 2013						
	Original Budget	Final Budget	Actual 2013		Final Budget Variance	% From Final Budget
REVENUE AND FINANCIAL SOURCES						
<u>Operating Revenue</u>						
Rental	\$ 37,000	\$ 37,000	\$ 93,148		\$ 56,148	152%
Loan repayments	87,193	87,193	144,522		57,329	66%
<u>Nonoperating Revenue</u>						
Investment earnings	300	300	1,042		742	247%
Interest on economic development loans	16,627	16,627	18,953		2,326	100%
Federal subsidies	1,300,000	1,300,000	914,939		(385,061)	-30%
<u>Other Nonoperating Revenue</u>						
Sale of real property	120,000	120,000	-		(120,000)	-100%
Other	50,500	50,500	9,196		(41,304)	100%
Total revenue	<u>1,611,620</u>	<u>1,611,620</u>	<u>1,181,800</u>		<u>(429,820)</u>	<u>-27%</u>
EXPENDITURES						
				Year-End Encumbrances	Final Budget Variance with Actual and Encumbrances	
<u>Operating Expenditures</u>						
Salaries and wages	282,599	283,636	282,824	\$ -	\$ 812	0%
Other employee benefits	178,424	177,387	174,831	-	2,556	2%
Professional service contracts	150,000	150,000	138,450	6,719	4,831	34%
Supplies and materials	1,500	1,500	422	-	1,078	72%
Other operating expenditures	727,000	713,333	178,214	-	535,119	75%
<u>Nonoperating Expenditures</u>						
Capital asset outlay	375,000	375,000	366,774	-	8,226	2%
Grants and donations	48,100	61,767	55,410	-	6,357	0%
Total expenditures	<u>1,762,623</u>	<u>1,762,623</u>	<u>1,196,925</u>	<u>6,719</u>	<u>558,979</u>	<u>32%</u>
Net change in fund balance	<u>\$ (151,003)</u>	<u>\$ (151,003)</u>	<u>(15,125)</u>	<u>\$ (6,719)</u>	<u>\$ (129,159)</u>	
FUND BALANCE, beginning of year			<u>1,677,004</u>			
FUND BALANCE, end of year			<u>\$ 1,661,879</u>			

**Town of North Hempstead
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Required Supplementary Information -
Schedule of Funding Progress
Other Postemployment Benefits Plan

Fiscal Year Ended	Valuation Date	Actuarial		Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
		Value of Assets	Accrued Liability				
December 31, 2013	January 1, 2013	\$ -	\$ 933,570	\$ 933,570	0.0%	\$ 282,924	329.97%
December 31, 2012	January 1, 2012	-	933,570	933,570	0.0%	277,059	336.96%
December 31, 2011	January 1, 2011	-	722,028	722,028	0.0%	290,878	248.22%