TOWN OF NORTH HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY
(A Component Unit of the Town of North Hempstead, New York)

Financial Statements and
Management's Discussion and Analysis
December 31, 2011
(With Independent Auditors' Report Thereon)

TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY
(A Component Unit of the Town of North Hempstead, New York)
FINANCIAL STATEMENTS

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis	2-10
Statement of Net Assets	11
Statement of Activities	12
Reconciliation of Governmental Fund Balance Sheet to Statement of Net Assets	13
Balance Sheet - Governmental and Fiduciary Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund to the Statement of Activities	16
Notes to the Financial Statements	17-27
Required Supplemental Information General Fund- Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	28

BOLLAM, SHEEDY, TORANI & CO. LLP
Certified Public Accountants
Albany, New York

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of the Town of North Hempstead Community Development Agency (Agency) (a component unit of the Town of North Hempstead, New York) as of and for the year ended December 31, 2011, which collectively comprise the Town of North Hempstead Community Development Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information for the Agency as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated March 16, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 through 5 and the schedule of revenues, expenditures, and changes in fund balance - budget and actual on page 29 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 supplemental 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.

Bollam Sheedy Torani & Co LLP

Albany, New York
March 16, 2012

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, 2011

The following is a discussion and analysis of the Town of North Hempstead Community Development Agency's (the "Agency") financial performance for the fiscal year ended December 31, 2011. 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, 2011, the Agency had total assets of $5.059 million, total liabilities of $1.457 million and net assets of $3.602 million.
- Total revenues for the year ended December 31, 2011 were $1.568 million and total expenses were $1.406 million resulting in a excess of revenues over expenditures of $162 thousand.
- Economic development expenses exceeded last year by $323 thousand due to a loan issued see loan receivables footnote 3(c).
- The Agency purchased two properties, 215 Brooklyn Avenue and 335 Rose Place, in 2011 in accordance with the New Cassel Development Plan. These costs had been reimbursed through the Agency's federal U.S. Department of Housing and Urban Development - Community Development Block Grant (the "Block Grant") program. See the capital assets footnote 3(d).
- The Agency has implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The implementation of this statement impacted classifications of fund balance but did not have any impact to the net assets of the Agency.

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 supplemental information. The financial statements include two kinds 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 assets 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 funds and the statement of revenues, expenditures, and changes in fund balance - governmental fund. These statements atteropt 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.
- 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 supplemental information that further explains and supports the financial statements with a comparison of the Agency's budget for the year.

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	• Statement of Net Assets • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance	• 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 assets 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.

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 assets 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 assets and how they have changed. Net assets, the difference between the Agency's assets and liabilities, are one way to measure the Agency's financial health or position.

- Over time, increases or decreases in the Agency's net assets are an indicator of whether the financial position is improving or deteriorating, respectively.
- 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.

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE

Changes in Net Assets

The Agency's net assets increased by $252 thousand or 7.52% for the year ended December 31, 2011. Restricted net assets decreased by $331 thousand or 29.92%, whereas the investment in capital assets, net of related debt increased $583 thousand or 25.96%.

Table A-2: Condensed Statement of Net Assets – Governmental Activities

	12/31/2011	12/31/2010	Increase (Decrease)	% Change
Assets:				
Cash and Cash with Fiscal Agent	$796,546	$990,480	($193,934)	(19.57%)
Federal aid receivable	314,980	404,868	(89,888)	(22.20%)
Other Receivables	1,094,253	812,818	281,435	34.62%
Prepaids	25,755	9,041	16,714	184.86%
Capital assets, net	2,827,223	2,244,455	582,768	25.96%
Total assets	$5,058,757	$4,461,662	$597,095	13.38%
Liabilities:				
Payables and other	24,425	32,386	(7,961)	(24.58%)
Deferred Revenue	1,093,502	806,618	286,884	35.56%
Compensated absences	24,323	37,321	(12,998)	(34.82%)
Other Postemployment benefits	314,652	235,483	79,169	33.61%
Total liabilities	1,456,902	1,111,808	345,094	31.03%
Net Assets:				
Investment in capital assets, net of related debt	2,827,223	2,244,455	582,768	25.96%
Restricted	774,632	1,105,399	(330,767)	(29.92%)
Total net assets	3,601,855	3,349,854	252,001	7.52%
Total liabilities and net assets	$5,058,757	$4,461,662	$597,095	13.38%

Table A-3: Changes in Net Assets from Operating Results – Governmental Activities Only

	For the Year Ended			
	12/31/2011	12/31/2010	Increase (Decrease)	% Change
Revenues				
Program revenues:				
Operating Grants – Federal Aid	$1,438,749	$622,982	815,767	130.95%
Charges for services	127,582	145,818	(18,236)	(12.50%)
General revenues:				
Interest earnings	975	4,024	(3,049)	(75.77%)
Other revenue	800	2,192	(1,392)	(63.50%)
Total revenues	1,568,106	775,016	793,090	102.33%
Expenses				
Personal services and benefits	503,901	442,469	61,432	13.88%
Contractual and other expenditures	901,314	620,426	280,888	45.27%
Debt service - interest	-	10,130	(10,130)	(100.00%)
Depreciation	414	335	79	23.58%
Loss on sale of property	-	72,863	(72,863)	100.00%
Total expenses	1,405,629	1,146,223	259,406	22.63%
Increase (decrease) in net assets	162,477	(371,207)	533,684	143.76%
Net Assets:				
Beginning of year as restated	3,439,378	3,721,061	(281,683)	(7.56%)
End of year	$3,601,855	$3,349,854	$252,001	7.52%

The Agency's 2011 revenues totaled $1,568 million an increase of $793 thousand or 102.33% when compared to total revenues for 2010. The increase was primarily due to a increase of $816 thousand in federal aid offsetting the minor decreases in other revenues.

Table A-4 Revenues
for the year ended December 31, 2011

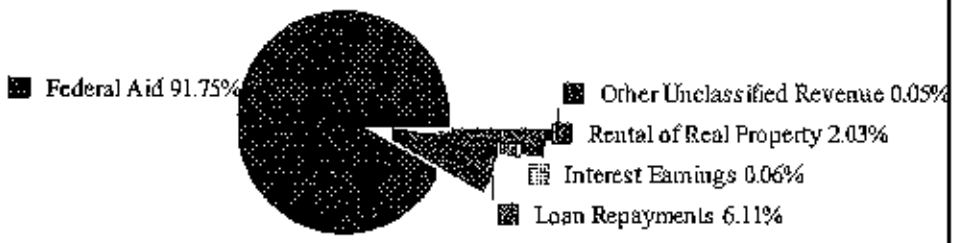
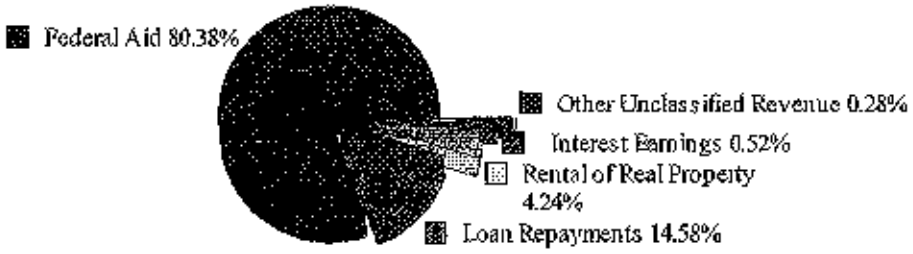


Table A-5 Revenues
for the year ended December 31, 2010



The cost of operating programs and services totaled $1.406 million an increase of $259 thousand or 22.63% when compared to total expenses for 2010. The majority of the increase occurred in economic development as discussed in the financial highlights section.

Table A-6 Expenditures for the year ended December 31, 2011

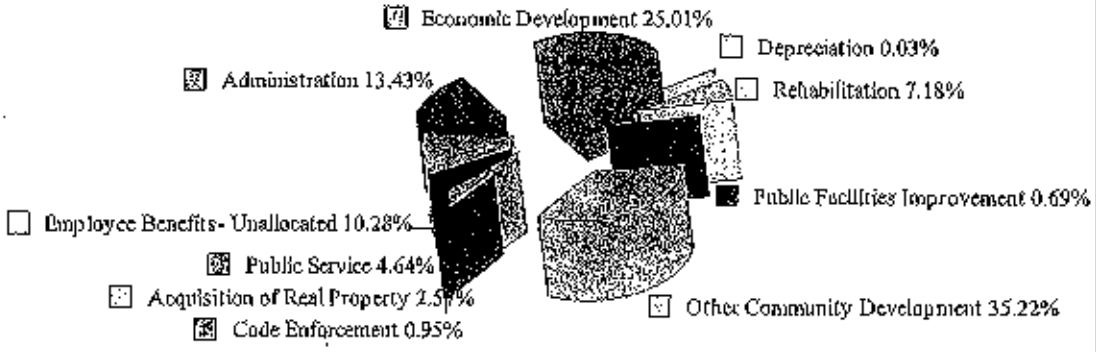
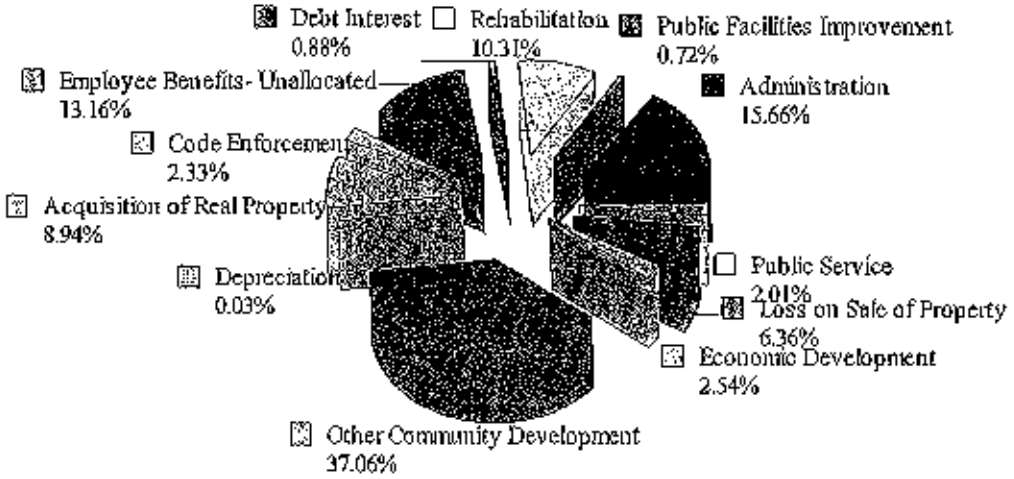


Table A-7 Expenditures for the year ended December 31, 2010



General Fund Budgetary Highlights

A. 2011 Budget

Reference is made to the Required Supplemental Schedule which 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, 2011 was $2,381,260.

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	$1,369,162
Revenue under Budget	(804,243)
Expenditures under Budget	548,558
Increase in nonspendable prepaids	(16,714)
Capital contribution	(8,911)
Closing, Restricted Fund Balance	$1,087,852

Revenues under Budget

The 2011 original budget for revenues was $2,372,349. Actual revenues received for the year were $1,568,106. The amount of actual revenue under final budgeted revenue was $804,243. Federal subsidies which are expenditure reimbursement driven were under budget by $696,998 due to the timing of various program activities. The sales of real property that were budgeted for $125,002 did not occur. This change contributes to the decrease in the Restricted General Fund - Fund Balance from December 31, 2010 to December 31, 2011.

Expenditures under Budget

The 2011 final budget for expenditures was $2,381,260. Actual expenditures as of December 31, 2011, were $1,832,702. The final budget was under expended by $548,558.

Governmental Activities

The primary program activities of the Agency included:

- Acquisition of real property
- Rehabilitation
- Other Community Development
- Public service
- Code enforcement
- Economic development
- 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.

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

Variances between years for the governmental fund financial statements are not the same as variances 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 increased from $3.350 million in 2010 to $3.602 million in 2011. The overall increase was due to a increase in capital assets and the new economic development loan.

Total liabilities of the general fund increased from $1.112 million in 2010 to $1.118 million in 2011. The increase is due primarily to the increase in deferred revenues related to the economic loan receivable and the increase in other postemployment benefits.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2011, the Agency had invested $2.827 million in property acquired for redevelopment and $495 in equipment, net of accumulated depreciation. The Agency changed its capitalization policy in 2011 raising the threshold to $2,500 from $500 to conform with the standard used by the Town of North Hempstead. Subsequent to year end the Agency purchased 336 Rose Place, see the subsequent event footnote 3(k).

Long-Term Obligations

As of December 31, 2011, the Agency's long-term obligations consisted of compensated absences obligations of $24 thousand and post-employment benefits of $315 thousand.

FACTORS BEARING ON THE FUTURE OF THE AGENCY

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

The employee's union contract ended and has to be negotiated in 2012.

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 North Hempstead, New York)
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

		Governmental Activities
ASSETS		
Current Assets:		
Cash	$	472,046
Cash with Fiscal Agent		324,500
Receivables:		
Federal Aid Receivable		314,980
Residential Rehab Loans Receivable		693,975
Commercial Rehab Loans Receivable		49,527
Economic Development Loan Receivable		350,000
Accounts receivable		751
Prepaid Expenses		25,755
Total Current Assets		2,231,534
Noncurrent Assets:		
Capital Assets, Net of Accumulated Depreciation Of $42,632		2,827,223
Total Assets	$	5,058,757
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Expenses	$	24,425
Deferred Revenues		1,093,502
Total Current Liabilities		1,117,927
Noncurrent Liabilities:		
Long-term Liabilities, due after one year		
Compensated Absences		24,323
Post-Employment Benefits		314,652
Total Noncurrent Liabilities		338,975
Total Liabilities		1,456,902
NET ASSETS		
Investment in Capital Assets, Net of Related Debt		2,827,223
Restricted		774,632
Total Net Assets		3,601,855
Total Liabilities and Net Assets	$	5,058,757

The notes to the financial statements are an integral part of this statement.

TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY
(A Component Unit of the Town of North Hempstead, New York)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

		Governmental Activities
Expenditures:		
Personal Services & Benefits	$	503,900
Contractual and Other Expenditures		901,315
Depreciation		414
Total Expenditures		1,405,629
Program Revenues:		
Operating Grants:		
Federal Aid		1,438,749
Charges for Services:		
Loan Repayments		95,767
Rental of Real Property		31,815
		127,582
Total Program Revenues		1,566,331
Excess of Program Revenues Over Expenditures		160,702
Nonoperating Revenues/Expenses:		
Interest Earnings		975
Other Unclassified Revenue		800
Total Nonoperating Revenues/Expenses		1,775
Excess of total Revenues Over Expenditures		162,477
Net Assets:		
Beginning of the Year		3,349,854
Correction to Capital Assets		89,524
Beginning of the Year as restated		3,439,378
End of the Year	$	3,601,855

The notes to the financial statements are an integral part of this statement.

TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY
(A Component Unit of the Town of North Hempstead, New York)
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET -
TO STATEMENT OF NET ASSETS
DECEMBER 31, 2011

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total Fund Balance - Governmental Funds		$	1,113,607
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The amount is net of accumulated depreciation.			2,827,223
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds			
Compensated Absences	$ 24,323		
Post-Employment Benefits	314,652		(338,975)
Total Net Assets - Governmental Activities		$	3,601,855

The notes to the financial statements are an integral part of this statement.

TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY
(A Component Unit of the Town of North Hempstead, New York)
BALANCE SHEET - GOVERNMENTAL AND FIDUCIARY FUNDS
DECEMBER 31, 2011

	General Fund	Agency Fund
Assets		
Cash	$ 472,046	$ 7,058
Cash with Fiscal Agent	324,500	
Receivables:		
Federal Aid Receivable	314,980	-
Residential Rehab Loans Receivable	693,975	-
Commercial Rehab Loans Receivable	49,527	-
Economic Development Loan Receivable	350,000	-
Accounts Receivable	751	-
Prepaid Expenses	25,755	-
Total Assets	$ 2,231,534	$ 7,058
Liabilities and Fund Equity		
Accounts Payable and Accrued Expenses	$ 24,425	$ -
Deposits	-	7,058
Deferred Revenues	1,093,502	-
Total Liabilities	1,117,927	$ 7,058
Fund Balance:		
Non-spendable – Prepaid	25,755	
Restricted - Federal Programs	1,087,852	
Total Fund Balance	1,113,607	
Total Liabilities and Fund Balance	$ 2,231,534	

The notes to the financial statements are an integral part of this statement.

TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY
(A Component Unit of the Town of North Hempstead, New York)
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

Revenues:		
Federal Aid	$	1,438,749
Loan Repayments		95,767
Use of Money and Property:		
Interest Earnings		975
Rental of Real Property		31,815
Other Unclassified Revenue		800
Total Revenues		1,568,106
Expenditures:		
Acquisition of Real Property		529,758
Other Community Development		495,010
Economic Development		351,752
Administration		188,737
Rehabilitation		100,958
Employee Benefits- Unallocated		78,265
Public Service		65,236
Code Enforcement		13,289
Public Facilities Improvement		9,697
Total Expenditures		1,832,702
Excess of revenues over expenditures		(264,596)
Fund balance, beginning of year		1,378,203
Fund balance, end of year	$	1,113,607

The notes to the financial statements are an integral part of this statements.

TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY
(A Component Unit of the Town of North Hempstead, New York)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Net change in fund balance - governmental funds	$ (264,596)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. This is the amount expended in the governmental funds for capital assets in the period.	493,658
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(414)
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.	12,998
Changes of post-employment expense 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.	(79,169)
Total change in net assets of governmental activities	$ 162,477

The notes to the financial statements are an integral part of this statements.

(1) 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 (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) Financial Reporting Entity

The Town of North Hempstead Community Development 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

Government wide statements - the statement of net assets 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.

(1) Summary of Significant Accounting Policies, Continued

(b) Basis of Presentation, Continued

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. Revenues that are not classified as program revenues are presented as general revenues.

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 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/Measuring Focus

The Agency-wide and fiduciary fund 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. Nonexchange transactions, in which the Agency gives or receives value without directly receiving or giving equal value in exchange, includes grants and donations. On an accrual basis, revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

(1) Summary of Significant Accounting Policies, Continued

(c) Basis of Accounting/Measuring Focus, Continued

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 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.

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 Equity

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. Cash in excess of current requirements is invested in various interest-bearing time deposits and disclosed as part of the Agency's time deposits, when available.

Loans Receivable – All loans receivable are reported at their gross value and are secured by liens filed against various residential and commercial properties.

Deferred revenues - 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 the sale of the residential property or when the owner is deceased.
2. Conditional Loans - These loans are made to home owners 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.

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.

(1) Summary of Significant Accounting Policies, Continued

(d) Assets, Liabilities, and Fund Equity, Continued

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, certificates of deposits and United States Treasury notes, bills, and bonds. Investments are stated at cost or amortized costs, whichever most approximates market value.

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.

Capital Assets – The purchase method is used to account for land acquired for development. Under the purchase method, the cost of land is recorded as an expenditure when the property is acquired. Land acquired for development is not depreciated.

Land acquired for development 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.

Other Assets – Other assets held are recorded and accounted for at cost.

Net Assets – In the Agency-wide statements, there are two classes of net assets:

Invested in Capital Assets, Net of Related Debt – 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.

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.

(1) Summary of Significant Accounting Policies, Continued

(d) Assets, Liabilities, and Fund Equity, Continued

Fund Statements-
The Agency has implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing Governmental fund type definitions. The implementation of this statement impacted the classification of fund balance but did not have any impact to the net assets of the Agency.

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

Non-spendable 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 prepaids.

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 the 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 purposed, but neither 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 balances of the Agency's governmental funds differ from "net assets" of governmental activities reported in the statement of net assets. This difference primarily results from the additional long-term focus of the statement of net assets versus the solely current financial resource focus of the governmental funds balance sheet.

(1) Summary of Significant Accounting Policies, Continued

(e) 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 respective fund that will pay it. In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, "Accounting for Compensated Absences", no liability is recorded for non-vesting 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.

(f) Use of Estimates

A number of estimates and assumptions relating to the reporting of revenues, expenditures, assets and liabilities and disclosure of contingent liabilities were used to prepare these financial statements in conformity with GAAP. Actual results could differ from those estimates.

(2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Community Development 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 empower the Agency to transfer or increase grant amount 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 they are required to adopt an Annual Agency Budget sixty days before the beginning of their calendar year.

(3) DETAIL NOTES ON ALL FUNDS

(a) Cash

At December 31, 2011, cash consists of the following:

Checking Accounts	$	256,845
Money Market		214,999
Checking Accounts Escrow		7,058
Petty Cash		202
Cash	$	479,104

As of December 31, 2011 the bank balances of deposits of $533,872 are insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized with the securities held by its agent in the name of the Agency.

(b) Cash with Fiscal Agent

The Agency has placed $324,500 with its' agent pending the completion of the purchase of a piece of Property Acquired for Redevelopment, see the subsequent events footnote 3(k).

(c) Loan Receivables and Write-offs

Residential Loans			
Conditional Loans-	convertible after five years to grant	$	83,237
Deferred Loans -	payable at change in ownership		610,738
			693,975
Commercial Loans			49,527
Economic Development Loan – seven year term at 3.25%, first payment due January 20, 2012			350,000
Total Loan Receivables		$	1,093,502

The Agency wrote-off three delinquent residential deferred loans, totaling $46,984 during the year.

(d) Capital Assets

	As corrected January 1, 2011	Additions	Deletions	December 31, 2011
Property Acquired for Redevelopment	$ 2,333,070	$ 493,658	$ -	$ 2,826,728
Equipment	84,260	-	(41,133)	43,127
	2,417,330	493,658	(41,133)	2,869,855
Less: Accumulated Depreciation	83,351	414	(41,133)	42,632
Capital Assets, Net	$ 2,333,979	$ 493,244	$ -	$ 2,827,223

The Agency increased the opening Property Acquired for Redevelopment by $85,403 for the portion of 80 Roslyn Road that was not acquired in a prior year eminent domain transaction and for $4,121 expenses incurred in prior years for 215 Brooklyn Avenue and 335 Rose Place acquired in 2011.

(3) DETAIL NOTES ON ALL FUNDS – continued

(e) 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 retirement system. 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 the New York State and Local Retirements Systems, 110 State Street, Albany, NY, 12244

Funding Policy-

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:

Year		Annual Contribution	Interest and Amortization	Total Annual Payment
2011	$	36,287	2,348	33,939
2010	$	29,765	2,345	32,110
2009	$	17,402	(374)	17,028

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 2011.

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.

(3) DETAIL NOTES ON ALL FUNDS – continued

(f) Long-Term Obligations

A summary of changes in long-term debt transactions for the year ended December 31, 2011 is as follows:

	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
Compensated Absences	$ 37,321	$ 30,108	$ 43,106	$ 24,323

(g) Other Unclassified Revenue

The amount of other unclassified revenue received for the year ended December 31, 2011 was as follows:

Nonrefundable Bid Package Fee	$ 800

(h) 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 year when it will be paid. In adopting the requirements of GASB Statement No. 45, - "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" effective for its fiscal year beginning January 1, 2008 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 29 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 2011, the Medicare Part B premium for Medicare eligibles was reimbursed at $96.50 or $161.50 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. One active employee retired during the year.

The number of participants as of January 1, 2011 was as follows:

Active employees	4
Retired members	3
Spouses of deceased retirees	1
Total	8

(3) DETAIL NOTES ON ALL FUNDS – continued

(h) 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):	$	722,028
Actuarial value of plan assets		-
Underfunded actuarial accrued liability (UAAL)	$	722,028
Funded Ratio		0.00%
Covered Payroll	$	290,878
UAAL as a percentage of covered payroll		248.22%
Calculation of ARC under projected Unit Credit Method:		
Annual required contribution (ARC)	$	109,996

Annual OPEB Cost Contribution

Contribution made by the Agency	$	24,757
Contribution as a percentage of required contribution		22.5%

Annual OPEB Cost and Net OPEB Obligation

Annual required contribution	$	109,996
Interest on net OPEB obligation		4,710
Adjustment to annual required contribution		(10,780)
Annual OPEB cost (expense)		103,926
Contribution made on a pay-as-you-go basis		(24,757)
Increase in net OPEB obligation		79,169
Net OPEB obligation at beginning of year		235,483
Net OPEB obligation at end of year	$	314,652

Actuarial methods and assumptions:

Funding interest rate (Assuming benefits are not prefunded)	2.00%
2010 Medical trend rate	8.00%
Ultimate trend rate	4.70%
Year Ultimate trend rate rendered	2020
Annual payroll growth rate	-
Actuarial cost method	Projected Unit Credit
The remaining amortization period at December 31, 2011	29 years

(3) DETAIL NOTES ON ALL FUNDS – continued

(i) 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.

(j) Operating Leases

The Agency leases various equipment under operating leases. The monthly cost is $541 with lease terms ranging from thirty to thirty one months remaining. The copier lease carries a clause allowing for an annual increase on the anniversary of the lease. The minimum remaining lease payments are as follows:

Year Ending	Amount
2012	$6,493
2013	6,493
2014	3,467
Totals	$16,453

(k) Subsequent Event

The Agency purchased 336 Rose Place for $324,500 on January 9, 2012. The funds will be reimbursed by the Block Grant Acquisition program.

(l) Accounting Pronouncements Issued Not Yet Implemented

In June 2011, the GASB issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position". This statement provides guidance for reporting deferred outflows of resources,deferred inflows of resources, and net position in a statement of financial position and related disclosures. This statement is effective for all state and local governments for periods beginning after December 15, 2011.

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

TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY
(A Component Unit of the Town of North Hempstead, New York)
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Actual 2011	Final Budget Variance
REVENUE & FINANCIAL SOURCES				
Operating Revenue				
Rental	$48,600	$48,600	$31,815	$(16,785)
Loan Repayments	60,000	60,000	95,767	35,767
Nonoperating Revenue				
Investment Earnings	3,000	3,000	975	(2,025)
Federal Subsidies	2,135,747	2,135,747	1,438,749	(696,998)
Other Nonoperating Rev				
Sale of Real Property	125,002	125,002	0	(125,002)
Other	0	0	800	800
Total Revenue	$2,372,349	$2,372,349	$1,568,106	$(804,243)
Operating Expenditures				
Salary and Wages	$268,385	$292,126	$292,126	$-
Other Employee Benefits	142,736	145,603	145,603	-
Professional Service Contracts	135,300	135,300	106,099	29,201
Supplies & Materials	1,250	2,088	2,088	-
Other Operating Expenditures	1,012,403	984,957	727,891	257,066
Nonoperating Expenditures				
Capital asset outlay	755,875	755,875	493,659	262,216
Grants and Donations	65,311	65,311	65,236	75
Total Expenditures	$2,381,260	$2,381,260	$1,832,702	$548,558
Excess (deficiency) of revenues over expenditures	(8,911)	(8,911)	(264,596)	
Capital contribution	8,911	8,911	264,596	

Notes to Required Supplementary Information

Budget basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

See Paragraph on Supplementary Schedules Included in the Auditors' Report.