

**Town of North Hempstead  
Community Development Agency**

(A Component Unit of the  
Town of North Hempstead, New York)

Financial Report

December 31, 2014

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

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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, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express 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, 2014, 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 plan on pages 3 through 11, 31, and 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 Information*

Our audit was conducted for the purpose of forming an opinion on the Agency's basic financial statements. The statistical information in the accompanying management's discussion and analysis is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2015, 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 16, 2015



# **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, 2014**

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, 2014. 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, 2014, the Agency had total assets of \$5.742 million, total liabilities and deferred inflows of resources of \$1.762 million, and net position of \$3.980 million.
- Total revenues for the year ended December 31, 2014, were \$.796 million and total expenses were \$.984 million, resulting in an excess of expenses over revenues of approximately \$188 thousand.
- The Agency purchased 985 Prospect Avenue at a cost of \$271,965 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 sold 80 Roslyn Road at a sales price of \$123,000, which exceeded the historical cost of the land by \$37,597. The land was purchased by the Town of North Hempstead for use as open space.

### **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 fund 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.
- 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.

# 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, 2014

### Overview of the Financial Statements - Continued

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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> </ul>
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.

### 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.

# 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, 2014

### Overview of the Financial Statements - Continued

#### Agency-Wide Statements - Continued

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.

#### Changes in Net Position

The Agency's net position decreased by approximately \$188,000, or 4.5% for the year ended December 31, 2014. Restricted for property held for redevelopment increased by approximately \$187,000, or 7.12%, whereas restricted for home and community services decreased approximately \$374,000, or 24.19%.

**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, 2014**

**Overview of the Financial Statements - Continued**

Changes in Net Position - Continued

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

	<u>December 31,</u>		<b>Increase (Decrease)</b>	<u>% Change</u>
	<u>2014</u>	<u>2013</u>		
<b>ASSETS</b>				
Cash	\$ 1,421,158	\$ 1,224,631	\$ 196,527	16.05%
Federal aid receivable	126,404	437,018	(310,614)	-71.08%
Other receivables, net	107,570	138,453	(30,883)	-22.31%
Prepaid expenses	32,805	33,598	(793)	-2.36%
Noncurrent assets, net	<u>4,054,493</u>	<u>3,931,234</u>	<u>123,259</u>	<u>3.14%</u>
<b>Total assets</b>	<b><u>\$ 5,742,430</u></b>	<b><u>\$ 5,764,934</u></b>	<b><u>\$ (22,504)</u></b>	<b><u>-0.39%</u></b>
<b>LIABILITIES</b>				
Current				
Payables and other	\$ 99,177	\$ 97,086	\$ 2,091	2.15%
Long-term				
Compensated absences	46,701	35,000	11,701	33.43%
Unearned revenue	271,691	297,028	(25,337)	-8.53%
Other postemployment benefits	<u>806,263</u>	<u>612,838</u>	<u>193,425</u>	<u>31.56%</u>
Total liabilities	<u>1,223,832</u>	<u>1,041,952</u>	<u>181,880</u>	<u>17.46%</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows, loans receivable	<u>538,598</u>	<u>555,230</u>	<u>(16,632)</u>	<u>-3.00%</u>
<b>NET POSITION</b>				
Restricted for				
Property held for redevelopment	2,807,209	2,620,647	186,562	7.12%
Home and community service	<u>1,172,791</u>	<u>1,547,105</u>	<u>(374,314)</u>	<u>-24.19%</u>
Total net position	<u>3,980,000</u>	<u>4,167,752</u>	<u>(187,752)</u>	<u>-4.50%</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b><u>\$ 5,742,430</u></b>	<b><u>\$ 5,764,934</u></b>	<b><u>\$ (22,504)</u></b>	<b><u>-0.39%</u></b>

# 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, 2014

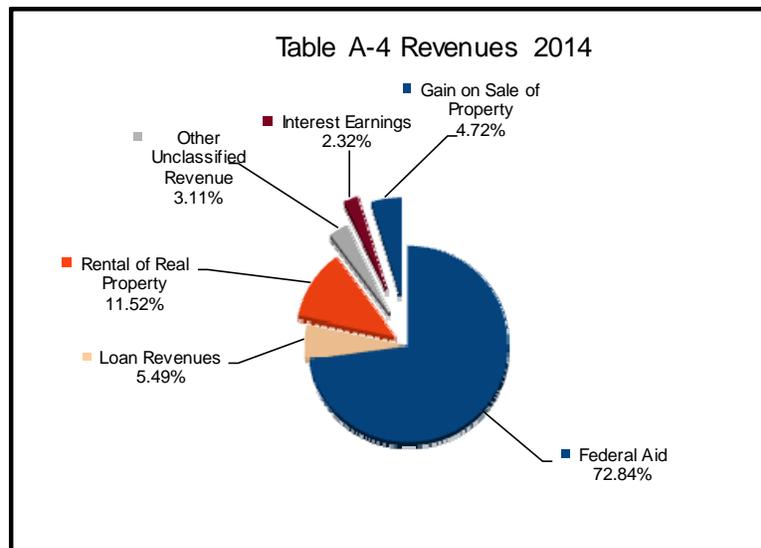
### Overview of the Financial Statements - Continued

#### Changes in Net Position - Continued

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

	Years Ended December 31,		Increase (Decrease)	% Change
	2014	2013		
<b>REVENUES</b>				
Program revenues				
Operating grants, federal aid	\$ 580,096	\$ 914,939	\$ (334,843)	-36.60%
Charges for services	135,450	174,424	(38,974)	-22.34%
General revenues				
Interest earnings	18,467	19,589	(1,122)	-5.73%
Other revenue	24,806	498	24,308	4881.12%
Gain on sale of property	37,597	-	37,597	100.00%
Total revenues	<u>796,416</u>	<u>1,109,450</u>	<u>(313,034)</u>	-28.22%
<b>EXPENSES</b>				
Personal services and benefits	667,516	606,746	60,770	10.02%
Contractual and other expenditures	316,652	372,496	(55,844)	-14.99%
Unallocated depreciation	-	320	(320)	-100.00%
Total expenses	<u>984,168</u>	<u>979,562</u>	<u>4,606</u>	0.47%
Change in net position	<b>(187,752)</b>	<b>129,888</b>	<b>(317,640)</b>	<b>-244.55%</b>
<b>NET POSITION, beginning of year</b>	<u>4,167,752</u>	<u>4,037,864</u>	<u>129,888</u>	3.22%
<b>NET POSITION, end of year</b>	<u><b>\$ 3,980,000</b></u>	<u><b>\$ 4,167,752</b></u>	<u><b>\$ (187,752)</b></u>	<b>-4.50%</b>

The Agency's 2014 revenues totaled \$.796 million, a decrease of approximately \$313,000, or 28.22% when compared to total revenues for 2013. The decrease was primarily due to a new loan issued in 2013 and no loans issued in 2014. 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 2014 did not occur in 2013.

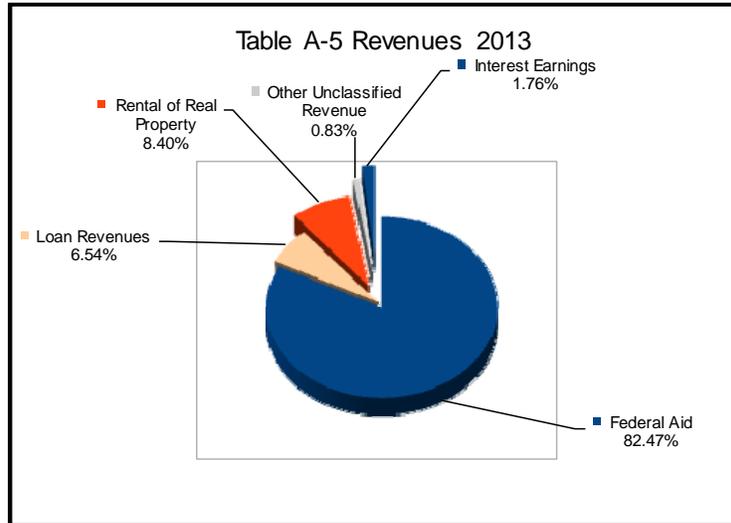


# Town of North Hempstead Community Development Agency

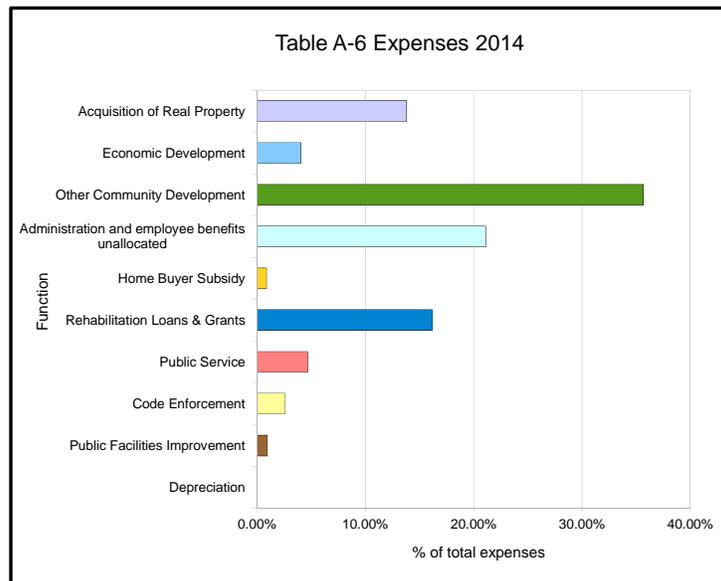
(A Component Unit of the Town of North Hempstead, New York)

## Management's Discussion and Analysis December 31, 2014

### Overview of the Financial Statements - Continued



The cost of operating programs and services totaled \$984 thousand, an increase of approximately \$5 thousand, or .47% when compared to operating expenses for 2013. The majority of the net increase occurred in other community development program expenses, where additional program effort was expended in the disposition of property.

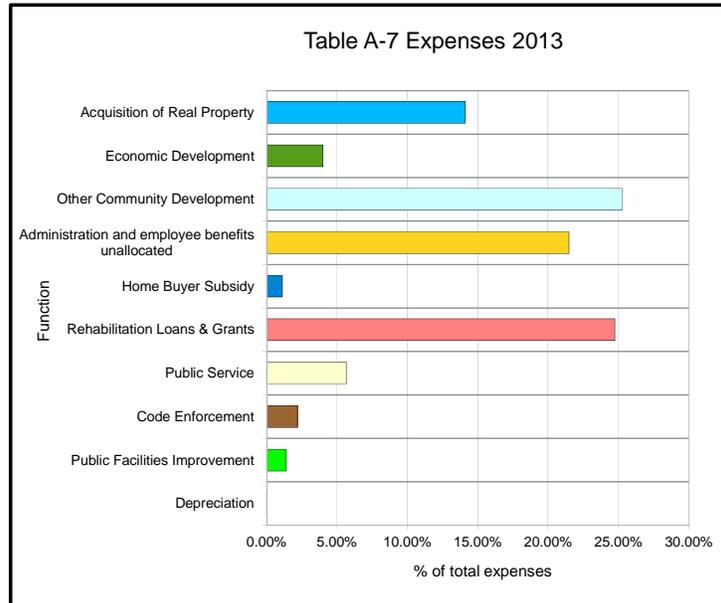


# Town of North Hempstead Community Development Agency

(A Component Unit of the Town of North Hempstead, New York)

## Management's Discussion and Analysis December 31, 2014

### Overview of the Financial Statements - Continued



### General Fund Budgetary Highlights

#### *a. 2014 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, 2014, was \$1,761,906. Encumbrances carried forward were \$6,719, making the original budget \$1,768,625.

#### *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	\$ 1,628,281
Revenue under budget	(958,196)
Expenditures and encumbrances under budget	711,462
Decrease in nonspendable prepaids	793
Use of reserves	(563)
Capital contribution	<u>125,341</u>
 Closing, restricted fund balance	 <u><u>\$ 1,507,118</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, 2014

### **Overview of the Financial Statements - Continued**

#### Revenues Under Budget

The 2014 original budget for revenues was \$1,887,247. Actual revenues received for the year were \$929,051. The amount of actual revenue under final budgeted revenue was \$958,196. Federal subsidies which are expenditure reimbursement driven were under budget by \$714,723, due to the timing of various program activities. The sales of real property that were budgeted for \$420,000 included sales that did not occur. Loan repayments did not meet expectations. Interest earned on the economic development loans was under budget due to a loan modification that decreased the monthly payment and extended the term. These changes contributed to the decrease in the Restricted General Fund - Fund Balance from December 31, 2013 to December 31, 2014.

#### Expenditures and Encumbrances Under Budget

The 2014 final budget for expenditures was \$1,768,625. Actual expenditures as of December 31, 2014, were \$1,051,007 and encumbrances were \$6,156. The final budget was under expended by \$711,462 relating to anticipated loan issuances for development expenses and land purchases that did not come to fruition. This change contributed to the decrease in the Restricted General Fund, Fund Balance from December 31, 2013 to December 31, 2014.

#### Transfer to Reserves

Decrease in reserve for encumbrances has the effect of increasing the funds available for other restricted activities.

#### Increase in Nonspendable Fund Balance

The Agency's nonspendable fund balance related to prepaids decreased by \$793, and has the effect of increasing 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, 2014**

### **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 property held for redevelopment purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for property held for redevelopment, and the current payments for debt.

Total assets of the General Fund decreased from \$3.144 million in 2013 to \$2.935 million in 2014. The overall decrease of \$.209 million was due to a decrease in 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 \$1.482 million in 2013 to \$1.395 million in 2014. The decrease of \$.087 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 2014, the Agency had \$2.807 million in property held for redevelopment. The Agency purchased the 985 Prospect Avenue and sold the 80 Roslyn Road properties in 2014; this was a net increase of \$186,562 over the 2013 balance of \$2.621 million. Refer to the financial highlights in this section for more information. The Agency had total loan receivables due over one year of \$1.247 million at December 31, 2014.

#### Long-Term Obligations

As of December 31, 2014, the Agency's long-term obligations consisted of compensated absences obligations of approximately \$47,000 and postemployment benefits of approximately \$.806 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 \$.272 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 North Hempstead, New York)

Statement of Net Position

	<b>December 31, 2014</b> <b>Governmental Activities</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 1,421,158
Receivables	
Federal aid receivable	126,404
Loans receivable, current	55,477
Conditional loans receivable, current	48,000
Accounts receivable, net	4,093
Prepaid expenses	32,805
Total current assets	<u>1,687,937</u>
<b>NONCURRENT ASSETS</b>	
Loans receivable, due after one year	975,593
Conditional loans receivable, due after one year	271,691
Property held for redevelopment	2,807,209
Total noncurrent assets	<u>4,054,493</u>
<b>Total assets</b>	<b><u>\$ 5,742,430</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 51,177
Unearned revenues, conditional loans receivable	48,000
Total current liabilities	<u>99,177</u>
<b>NONCURRENT LIABILITIES</b>	
Long-term liabilities, due after one year	
Unearned revenues	271,691
Compensated absences	46,701
Post-employment benefits	806,263
Total noncurrent liabilities	<u>1,124,655</u>
Total liabilities	<u>1,223,832</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows, loans receivable	<u>538,598</u>
<b>NET POSITION</b>	
Restricted for	
Property held for redevelopment	2,807,209
Home and community service	1,172,791
Total net position	<u>3,980,000</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b><u>\$ 5,742,430</u></b>

See accompanying Notes to Financial Statements.

# Town of North Hempstead Community Development Agency

(A Component Unit of the Town of North Hempstead, New York)

## Statement of Activities

Functions/Programs	Year Ended December 31, 2014			
	Expenses	Operating Grants	Charges for Services	Net Revenue (Expense)
Acquisition of real property	\$ 135,905	\$217,513	\$ -	\$ 81,608
Economic development	39,898	16,471	-	(23,427)
Other community development	350,990	135,711	91,740	(123,539)
Administration and employee benefits, unallocated	207,838	105,587	-	(102,251)
Home buyer subsidy program	8,861	1,872	-	(6,989)
Rehabilitation	159,382	38,594	43,710	(77,078)
Public service	46,305	46,305	-	-
Code enforcement	25,553	13,457	-	(12,096)
Public facilities improvement	9,436	4,586	-	(4,850)
<b>Total governmental activities</b>	<b><u>\$ 984,168</u></b>	<b><u>\$ 580,096</u></b>	<b><u>\$ 135,450</u></b>	<b><u>(268,622)</u></b>
<b>GENERAL REVENUES</b>				
				2,447
				16,020
				37,597
				24,806
				<u>80,870</u>
				(187,752)
				<u>4,167,752</u>
				<b><u>\$ 3,980,000</u></b>

**Town of North Hempstead  
Community Development Agency**

(A Component Unit of the Town of North Hempstead, New York)

Balance Sheet - Governmental and Fiduciary Funds

	<b>December 31, 2014</b>	
	<b>General Fund</b>	<b>Agency Fund</b>
<b>ASSETS</b>		
Cash	\$ 1,421,158	\$ 11,172
Receivables		
Federal aid receivable	126,404	-
Residential rehab. loans receivable	689,549	-
Home buyer subsidy loans receivable	125,853	-
Commercial rehab. loans receivable	49,527	-
Economic development loans receivable	485,832	-
Accounts receivable (net of allowance)	4,093	-
Prepaid expenses	32,805	-
<b>Total assets</b>	<b>\$ 2,935,221</b>	<b>\$ 11,172</b>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE</b>		
Accounts payable and accrued expenses	\$ 51,177	\$ -
Deposits	-	11,172
Total liabilities	51,177	<b>\$ 11,172</b>
Deferred inflow of resources	1,344,121	
Fund balance		
Non-spendable	32,805	
Restricted, Federal Programs	1,507,118	
Total fund balance	1,539,923	
<b>Total liabilities, deferred inflow of resources, and fund balance</b>	<b>\$ 2,935,221</b>	

See accompanying Notes to Financial Statements.

**Town of North Hempstead  
Community Development Agency**

(A Component Unit of the Town of North Hempstead, New York)

**Reconciliation of the Governmental Fund Balance Sheet  
to the Statement of Net Position**

	<b><u>December 31, 2014</u></b>
Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balance - governmental funds	\$ 1,539,923
Property held for redevelopment held in governmental activities is not a financial resources and, therefore, is not reported in the funds.	2,807,209
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	\$ 46,701
Postemployment benefits	<u>806,263</u>
	(852,964)
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>485,832</u>
Net position - governmental activities	<b><u><u>\$ 3,980,000</u></u></b>

**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

	<b>Year Ended December 31, 2014</b>
<b>REVENUES</b>	
Federal aid	\$ 580,096
Loan repayments	90,942
Use of money and property	
Interest earnings on investments	2,447
Interest on economic development loan	16,020
Rental of real property	91,740
Sale of real property	123,000
Other unclassified revenue	24,806
Total revenues	929,051
<b>EXPENDITURES</b>	
Acquisition of real property	335,911
Economic development	32,859
Other community development	289,066
Home buyer subsidy program	7,298
Administration	132,335
Rehabilitation	131,263
Employee benefits, unallocated	47,154
Public service	46,305
Code enforcement	21,045
Public facilities improvement	7,771
Total expenditures	1,051,007
<b>Deficiency of revenues under expenditures</b>	<b>(121,956)</b>
<b>FUND BALANCE, <i>beginning of year</i></b>	1,661,879
<b>FUND BALANCE, <i>end of year</i></b>	<b>\$ 1,539,923</b>

See accompanying Notes to Financial 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**

	<b>Year Ended December 31, 2014</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balance, governmental funds	\$ (121,956)
Accrued interest for governmental activities is not available for use in current financial resources and, therefore, is not recorded in the governmental funds.	
Governmental funds report property acquisitions as expenditures. This is the amount expended in the governmental funds for property held for redevelopment in the period.	271,965
Governmental funds report the proceeds from the sale of property as revenue. This amount is reduced by the acquisition cost in the governmental activities.	(85,403)
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.	(47,232)
Changes in compensated absence liability 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.	(11,701)
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>(193,425)</u>
<b>Change in net position of governmental activities</b>	<b><u><u>\$ (187,752)</u></u></b>

See accompanying Notes to Financial Statements.

# Town of North Hempstead Community Development Agency

(A Component Unit of the Town of North Hempstead, New York)

## Notes to Financial Statements December 31, 2014

### **Note 1 - Organization and Summary of Significant Accounting Policies**

The accompanying financial statements of the Town of North Hempstead Community Development Agency (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 (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 North Hempstead, New York)

## Notes to Financial Statements December 31, 2014

### 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 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).

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 assets 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 North Hempstead, New York)

## Notes to Financial Statements December 31, 2014

### 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, 2014.

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 Community Development Agency

(A Component Unit of the Town of North Hempstead, New York)

## Notes to Financial Statements December 31, 2014

### 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 held 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 held for redevelopment is not depreciated.

Property held 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. All of the Agency's capital assets are fully depreciated at December 31, 2014.

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 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, 2014.

Deferred Inflow of Resources - 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. 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 \$1.344 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 North Hempstead, New York)

## Notes to Financial Statements December 31, 2014

### 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 \$-0- at December 31, 2014, in the governmental funds.

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, 2014. Accordingly, the Agency's net position does not include net investment in capital assets as of December 31, 2014.

**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 North Hempstead, New York)

## Notes to Financial Statements December 31, 2014

### 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. 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 16, 2015, the date the financial statements were available to be issued.

### Note 2 - Adoption of Accounting Standards

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes 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.

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 adoption of these standards did not impact the Agency's financial statements.

**Town of North Hempstead  
Community Development Agency**

(A Component Unit of the Town of North Hempstead, New York)

Notes to Financial Statements  
December 31, 2014

**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, 2014
Checking accounts	\$ 781,482
Money market	639,474
Checking account, escrow	11,172
Petty cash	202
	<hr/>
Total cash	<u>\$ 1,432,330</u>

At December 31, 2014, cash balances reported by the Agency's banks totaled \$1.433 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 North Hempstead, New York)

## Notes to Financial Statements December 31, 2014

### Note 4 - Detail Notes on all Funds - Continued

#### b. Loans Receivable

	January 1, 2014	Increases	Decreases	December 31, 2014	Due Within One Year	Noncurrent
Residential loans						
Conditional loans, convertible after five years to grant	\$ 171,175	\$ 22,663	\$ -	\$ 193,838	\$ -	\$ 193,838
Interest-bearing deferred loans, rate of 1%, term ends at change in occupancy						
Interest-free deferred loans, payable at change in occupancy	790	16,288	-	17,078	-	17,078
	<u>517,315</u>	<u>-</u>	<u>38,682</u>	<u>478,633</u>	<u>6,640</u>	<u>471,993</u>
	<u>689,280</u>	<u>38,951</u>	<u>38,682</u>	<u>689,549</u>	<u>6,640</u>	<u>682,909</u>
Commercial loans	<u>49,527</u>	<u>-</u>	<u>-</u>	<u>49,527</u>	<u>-</u>	<u>49,527</u>
Economic development loan 1, at 3.25%, due monthly, final payment August 15, 2024	258,624	-	20,991	237,633	21,317	216,316
Economic development loan 2, at 3.25%, due monthly, final payment December 27, 2022	<u>274,440</u>	<u>-</u>	<u>26,241</u>	<u>248,199</u>	<u>27,520</u>	<u>220,679</u>
	<u>533,064</u>	<u>-</u>	<u>47,232</u>	<u>485,832</u>	<u>48,837</u>	<u>436,995</u>
Home buyer subsidy loans, convertible over five years to grant at 20% per year	<u>173,853</u>	<u>-</u>	<u>48,000</u>	<u>125,853</u>	<u>48,000</u>	<u>77,853</u>
Total loan receivables	<u>\$ 1,445,724</u>	<u>\$ 38,951</u>	<u>\$ 133,914</u>	<u>\$ 1,350,761</u>	<u>\$103,477</u>	<u>\$ 1,247,284</u>

The Agency wrote-off \$1,937 of deferred loans during 2014.

#### c. Noncurrent Assets, Excluding Loans Receivable

Noncurrent asset activity was as follows:

	January 1, 2014	Additions	Deletions	December 31, 2014
Property held for redevelopment	<u>\$ 2,620,647</u>	<u>\$ 271,965</u>	<u>\$ 85,403</u>	<u>\$ 2,807,209</u>

#### 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

(A Component Unit of the Town of North Hempstead, New York)

## Notes to Financial Statements December 31, 2014

### 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>
2014	\$ 56,599	\$ 1,713	\$ 58,312
2013	56,965	3,193	60,158
2012	49,059	5,589	54,648

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 2014.

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, 2014, is as follows:

	<u>Balance January 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2014</u>
Compensated absences	<u>\$ 35,000</u>	<u>\$ 33,829</u>	<u>\$ 22,128</u>	<u>\$ 46,701</u>

# Town of North Hempstead Community Development Agency

(A Component Unit of the Town of North Hempstead, New York)

## Notes to Financial Statements December 31, 2014

### 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, 2014, was as follows:

Reimbursement for attorney's fees per contract	\$ 23,675
Late fees on loans	346
Miscellaneous	785
	\$ 24,806

*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 26 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 2014, 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, 2014, was as follows:

Active employees	3
Retired members	4
Total	7

# Town of North Hempstead Community Development Agency

(A Component Unit of the Town of North Hempstead, New York)

## Notes to Financial Statements December 31, 2014

### 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)	\$ 1,326,483
Actuarial value of plan assets	-
Underfunded actuarial accrued liability (UAAL)	<u>\$ 1,326,483</u>
Funded ratio	0.00%
Covered payroll	\$ 289,611
UAAL as a percentage of covered payroll	458.02%
Calculation of ARC under projected unit credit method annual required contribution (ARC)	<u>\$ 227,228</u>

#### Annual OPEB Cost Contribution

Contribution made by the Agency	\$ 19,228
Contribution as a percentage of required contribution	8.46%

#### Annual OPEB Cost and Net OPEB Obligation

Annual required contribution	\$227,228
Interest on net OPEB obligation	12,257
Adjustment to annual required contribution	<u>(26,832)</u>
Annual OPEB cost (expense)	212,653
Contribution made on a pay-as-you-go basis	<u>(19,228)</u>
Increase in net OPEB obligation	193,425
Net OPEB obligation at beginning of year	<u>612,838</u>
Net OPEB obligation at end of year	<u>\$ 806,263</u>

#### Actuarial methods and assumptions:

Funding interest rate (assuming benefits are not prefunded)	2.00%
2014 medical trend rate (Medical, Medicare, Dental/Vision)	9%, 7%, 5%
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, 2014	26 years

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## Notes to Financial Statements December 31, 2014

### 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 a vehicle and a copy machine. The monthly cost is \$530 for the vehicle lease term with thirty-five months remaining. The copier lease is continuing on a monthly basis with no set term. The minimum remaining non-cancelable lease payments are as follows:

For the year ending December 31,		
2015	\$	2,403
2016		2,403
2017		<u>2,203</u>
	\$	<u>7,009</u>

#### *j. Accounting Pronouncements Issued Not Yet Implemented*

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

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Community Development Agency**

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Notes to Financial Statements  
December 31, 2014

**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. 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. 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.

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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, 2014						
	Original Budget	Final Budget	Actual 2014		Final Budget Variance	% From Final Budget
<b>REVENUE AND FINANCIAL SOURCES</b>						
<u>Operating Revenue</u>						
Rental	\$ -	\$ -	\$ 91,740		\$ 91,740	100%
Loan repayments	120,729	120,729	90,942		(29,787)	-25%
<u>Nonoperating Revenue</u>						
Investment earnings	300	300	2,447		2,147	716%
Interest on economic development loans	25,599	25,599	16,020		(9,579)	-37%
Federal subsidies	1,294,819	1,294,819	580,096		(714,723)	-55%
<u>Other Nonoperating Revenue</u>						
Sale of real property	420,000	420,000	123,000		(297,000)	-71%
Other	25,800	25,800	24,806		(994)	4%
<b>Total revenue</b>	<b>1,887,247</b>	<b>1,887,247</b>	<b>929,051</b>		<b>(958,196)</b>	<b>-51%</b>
<b>EXPENDITURES</b>						
				<b>Year-End Encumbrances</b>	<b>Final Budget Variance with Actual and Encumbrances</b>	
<u>Operating Expenditures</u>						
Salaries and wages	294,352	294,352	288,880	\$ -	\$ 5,472	2%
Other employee benefits	186,454	186,454	173,510	-	12,944	7%
Professional service contracts	151,719	151,719	118,168	6,156	27,395	18%
Supplies and materials	1,500	1,500	562	-	938	63%
Other operating expenditures	756,500	756,500	151,617	-	604,883	80%
<u>Nonoperating Expenditures</u>						
Capital asset outlay	330,000	330,000	271,965	-	58,035	18%
Grants and donations	48,100	48,100	46,305	-	1,795	4%
<b>Total expenditures</b>	<b>1,768,625</b>	<b>1,768,625</b>	<b>1,051,007</b>	<b>6,156</b>	<b>711,462</b>	<b>41%</b>
<b>Net change in fund balance</b>	<b>\$ 118,622</b>	<b>\$ 118,622</b>	<b>(121,956)</b>	<b>\$ (6,156)</b>	<b>\$ (246,734)</b>	
<b>FUND BALANCE, beginning of year</b>			1,661,879			
<b>FUND BALANCE, end of year</b>			<b>\$ 1,539,923</b>			

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Required Supplementary Information -  
Schedule of Funding Progress  
Other Postemployment Benefits Plan

Fiscal Year Ended	Actuarial			Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded
	Valuation Date	Value of Assets	Accrued Liability				Liability as a Percentage of Covered Payroll
December 31, 2014	January 1, 2014	\$ -	\$ 1,326,483	\$ 1,326,483	0.0%	\$ 289,611	458.02%
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%