

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, 2010
(With Independent Auditors' Report Thereon)

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

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Town of North Hempstead
Community Development Agency:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of North Hempstead Community Development Agency (the Agency), a component unit of the Town of North Hempstead, New York, as of and for the year ended December 31, 2010, which collectively comprise the Agency's basic financial statements as listed in the foregoing 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. 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 that 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, each major fund, and aggregate remaining fund information of the Town of North Hempstead Community Development Agency as of December 31, 2010, 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.

Management's Discussion and Analysis as listed in the foregoing table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Toski, Schaefer & Co., P.C.

Williamsville, New York
June 17, 2011

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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, 2010

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, 2010. 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 follows this section immediately.

FINANCIAL HIGHLIGHTS

- As of December 31, 2010, the Agency had total assets of \$4.462 million, total liabilities of \$1.112 million and net assets of \$3.350 million.
- Total revenue for the year ended December 31, 2010 was \$775 thousand and total expenses were \$1.146 million resulting in a deficiency of revenue over expenditures of \$371 thousand.
- Other community development expenses exceeded last year by \$336 thousand due to disposition grants from program income of \$360 thousand.
- The Agency transferred title to two of its properties to the Town of North Hempstead (the Town) in August 2010 in accordance with the New Cassel Development Plan to be used for the new community center. The Town forgave the two outstanding loans (both principal and interest) incurred by the Agency to acquire these properties. The Agency incurred other acquisition costs for the properties that were capitalized. These costs were reimbursed through the Agency's federal Community Development Block Grant program. The impact of these property transfers resulted in a net loss of \$72,863. See the capital assets note 3(c), long-term debt note 3(f) and due to the Town of North Hempstead note 3(g).

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts: management's discussion and analysis (this section) and the financial statements. 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.

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

Management's Discussion and Analysis, Continued

- 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 revenue, expenditures and changes in fund balance - governmental fund. These statements present how programs were financed in the short-term as well as what remains for future spending.
- 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.

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

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

Management's Discussion and Analysis, Continued

Table A-1: Major Features of the Agency-Wide and Fund Financial Statements			
	Agency-Wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire Agency (except fiduciary funds)	The activities of the Agency that are not fiduciary	Instances in which the Agency administers resources on behalf of others
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenue, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Balance Sheet
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Cash Basis
Type of asset and liability information	All 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 revenue and expenses during year, regardless of when cash is received or paid	Revenue for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year

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

Management's Discussion and Analysis, Continued

Agency-Wide Statements

The Agency-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Agency's assets and liabilities. All of the current year's revenue 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.

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

Management's Discussion and Analysis, Continued

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE

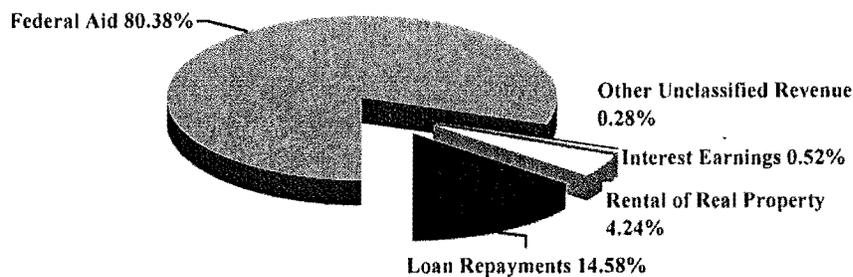
Changes in Net Assets

The Agency's net assets decreased by \$371 thousand or 9.98% for the year ended December 31, 2010. Unrestricted net assets decreased by \$265 thousand or 19.33%, whereas the investment in capital assets, net of related debt increased \$106 thousand or 4.74%.

The Agency's 2010 revenue totaled \$775 thousand, an increase of \$21 thousand or 2.85% when compared to total revenue and other sources for 2009. The increase was primarily due to an increase of \$21 thousand in Federal aid and the increase in rental of real property of \$7 thousand offsetting the decreases in other revenue.

The cost of operating programs and services totaled \$1.073 million in addition to the \$73 thousand loss on the sale of property for fiscal year 2010, an increase of \$381 thousand or 49.75% when compared to total expenses for 2009. The majority of the increase occurred in other community development (disposition grants) as discussed in the financial highlights section.

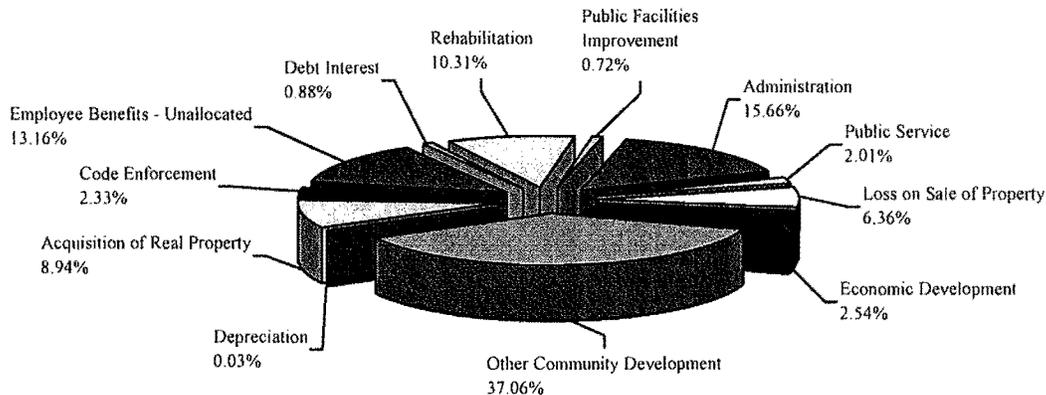
**Table A-2 Revenue
for the year ended December 31, 2010**



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

Management's Discussion and Analysis, Continued

**Table A-3 Expenses
for the year ended December 31, 2010**



Governmental Activities

Revenue for the Agency's governmental activities included \$340 thousand in proceeds from the sale of property. This represents a demand loan due to the Town that was forgiven in connection with the transfer of property to the Town.

Governmental expenditures were below Agency-wide expenses due principally to the costs related to benefits for compensated absences and other postemployment benefits.

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 revenue is 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, Continued

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 or capital assets. Governmental funds include the proceeds received from the issuance of debt as revenue, and payments for capital assets and debt principal as expenditures.

Total assets of the general fund decreased from \$2.552 million in 2009 to \$2.217 million in 2010. The overall decrease was due to a decrease in cash offset by an increase in Federal aid receivable.

Total liabilities of the general fund decreased from \$1.271 million in 2009 to \$839 thousand in 2010. The decrease is due primarily to the forgiveness of the Town loan and a decrease in deferred revenue related to decreases in rehabilitation loan receivables.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2010, the Agency had invested \$2.244 million in property acquired for redevelopment and \$909 in equipment, net of accumulated depreciation.

Long-Term Obligations

At December 31, 2010, the Agency's long-term obligations consisted of compensated absences obligations of \$37.3 thousand and postemployment benefits of \$235.5 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.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Agency's citizens and 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)
Governmental Fund Balance Sheet/Statement of Net Assets
December 31, 2010

<u>Assets</u>	<u>General fund</u>	<u>Adjustments</u>	<u>Statement of net assets</u>
Current assets:			
Cash and equivalents	\$ 990,480	-	990,480
Receivables:			
Federal aid	404,868	-	404,868
Residential rehabilitation loans	718,601	-	718,601
Commercial rehabilitation loans	88,017	-	88,017
Accounts receivable	6,200	-	6,200
Total receivables	<u>1,217,686</u>	<u>-</u>	<u>1,217,686</u>
Prepaid expenses	9,041	-	9,041
Total current assets	<u>2,217,207</u>	<u>-</u>	<u>2,217,207</u>
Capital assets, net of accumulated depreciation of \$83,351	-	2,244,455	2,244,455
Total assets	<u>\$ 2,217,207</u>	<u>2,244,455</u>	<u>4,461,662</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable and accrued expenses	32,386	-	32,386
Deferred revenue	806,618	-	806,618
Current portion of long-term liabilities	-	24,955	24,955
Total current liabilities	<u>839,004</u>	<u>24,955</u>	<u>863,959</u>
Noncurrent liabilities:			
Compensated absences	-	12,366	12,366
Postemployment benefits	-	235,483	235,483
Total noncurrent liabilities	<u>-</u>	<u>247,849</u>	<u>247,849</u>
Total liabilities	<u>839,004</u>	<u>272,804</u>	<u>1,111,808</u>
Fund balance/net assets:			
Investment in capital assets, net of related debt	-	2,244,455	2,244,455
Unrestricted fund balance/net assets	1,378,203	(272,804)	1,105,399
Total fund balance/net assets	<u>1,378,203</u>	<u>1,971,651</u>	<u>3,349,854</u>
Total liabilities and fund balance/net assets	<u>\$ 2,217,207</u>	<u>2,244,455</u>	<u>4,461,662</u>

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 Governmental Fund Revenue, Expenditures and Changes
in Fund Balance/Statement of Activities
Year ended December 31, 2010

	General fund	Adjustments	Statement of activities
Program revenue:			
Operating grants - Federal aid	\$ 622,982	-	622,982
Charges for services:			
Loan repayments	112,968	-	112,968
Rental of real property	32,850	-	32,850
	<u>145,818</u>	<u>-</u>	<u>145,818</u>
Total program revenue	<u>768,800</u>	<u>-</u>	<u>768,800</u>
Expenditures/expenses:			
Personal services and benefits	356,835	85,634	442,469
Equipment and capital outlay	40,195	(40,195)	-
Contractual and other expenditures	620,426	-	620,426
Interest expense	-	10,130	10,130
Depreciation	-	335	335
	<u>1,017,456</u>	<u>55,904</u>	<u>1,073,360</u>
Deficiency of program revenue over expenditures/ expenses	<u>(248,656)</u>	<u>(55,904)</u>	<u>(304,560)</u>
General revenue:			
Interest earnings	4,024	-	4,024
Sale of property	340,000	(340,000)	-
Other revenue	2,192	-	2,192
Loss on sale of property	-	(72,863)	(72,863)
	<u>346,216</u>	<u>(412,863)</u>	<u>(66,647)</u>
Excess (deficiency) of total revenue over expenditures/ expenses	97,560	(468,767)	(371,207)
Fund balance/net assets:			
Beginning of year	<u>1,280,643</u>	<u>2,440,418</u>	<u>3,721,061</u>
End of year	<u>\$ 1,378,203</u>	<u>1,971,651</u>	<u>3,349,854</u>

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 Governmental Fund Balance Sheet
 to Statement of Net Assets
 December 31, 2010

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance - governmental funds		\$ 1,378,203
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Amount is net of accumulated depreciation		2,244,455
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences	\$ 37,321	
Postemployment benefits	<u>235,483</u>	<u>(272,804)</u>
Total net assets - governmental activities		<u>\$ 3,349,854</u>

See accompanying notes to financial statements.

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, 2010

	<u>General Fund</u>	<u>Agency Fund</u>
Assets:		
Cash and equivalents	\$ 990,480	50,923
Receivables:		
Federal aid	404,868	-
Residential rehabilitation loans	718,601	-
Commercial rehabilitation loans	88,017	-
Accounts receivable	6,200	-
Prepaid expenses	9,041	-
Total assets	\$ 2,217,207	50,923
Liabilities and fund equity:		
Liabilities:		
Accounts payable and accrued expenses	32,386	50,923
Deferred revenue	806,618	-
Total liabilities	839,004	50,923
Fund equity - fund balance - unreserved	1,378,203	-
Total liabilities and fund equity	\$ 2,217,207	50,923

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 Revenue, Expenditures and
Changes in Fund Balance - Governmental Fund
Year ended December 31, 2010

Revenue:	
Federal aid	\$ 622,982
Loan repayments	112,968
Use of money and property:	
Interest earnings	4,024
Rental of real property	32,850
Other revenue	2,192
Sale of property	<u>340,000</u>
Total revenue	<u>1,115,016</u>
Expenditures:	
Administration	179,459
Acquisition of real property	142,684
Rehabilitation	118,189
Other community development	424,796
Public service	23,000
Code enforcement	26,680
Employee benefits - unallocated	65,177
Economic development	29,191
Public facilities improvement	<u>8,280</u>
Total expenditures	<u>1,017,456</u>
Excess of revenue over expenditures	97,560
Fund balance at beginning of year	<u>1,280,643</u>
Fund balance at end of year	<u><u>\$ 1,378,203</u></u>

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 Statement of Revenue, Expenditures and Changes in
 Fund Balance - Governmental Fund to Statement of Activities
 Year ended December 31, 2010

Net change in fund balance - governmental funds	\$ 97,560
Amounts reported for governmental activities in the statement of activities are different because:	
Accrued interest on long-term debt for governmental activities is not a use of current financial resources and therefore is not recorded in the governmental funds.	(10,130)
Governmental funds report capital outlays as expenditures. This is the amount expended in the governmental funds for capital assets in the period.	40,195
Gain on the sale of real property is reflected as a revenue in the governmental funds for the forgiveness of the short-term debt.	(340,000)
Loss on the sale of real property is reflected as a nonoperating expense for the value of the property transferred to the Town for less than book value.	(72,863)
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(335)
Changes in compensated absence liability is reported as an increase or decrease of salary in the statement of activities and changes in net assets, but does not involve the use of current resources. Therefore, it is not reported as expenditures in the governmental funds.	5,335
Changes in other postemployment liabilities is reported as an increase in salaries and benefits in the statement of activities and changes in net assets, but does not involve the use of current resources. Therefore, it is not reported as an expenditures in the governmental funds.	<u>(90,969)</u>
Total change in net assets of governmental activities	<u><u>\$ (371,207)</u></u>

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, 2010

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Town of North Hempstead Community Development Agency (the Agency), a component unit of the Town of North Hempstead, New York, 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 and the financial 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.

The accompanying financial statements include all of the funds of the Agency. Activities considered to be part of the Agency have been determined by the application of criteria set forth in GASB Statement No. 14 - "The Financial Reporting Entity."

The Agency is a component unit of the Town of North Hempstead, the primary reporting entity, under the criteria set forth in GASB Statement No. 14. The basic, but not the only criterion for inclusion in the Town's financial statements is that the Town is accountable for the legally separate Community Development Agency because it appoints the Board of Directors, the governing body of the Agency, and there is a potential for the Agency to provide specific financial benefits to, or impose financial burdens on, the Town.

(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.

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

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(b) Basis of Presentation, Continued

The statement of activities presents a comparison between direct expenses and program revenue 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 revenue are presented as general revenue.

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 Agency's major governmental fund is 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 Agency's governmental fund type is the 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 financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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, 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.

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

Notes to Financial Statements, Continued

(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 accounts and is disclosed as part of the Agency's cash and equivalents.

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

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 equivalents, including money market funds, certificates of deposits and United States Treasury notes, bills, and bonds. Investments are stated at cost or amortized cost, whichever most approximates fair 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.

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

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

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

Property, plant, and equipment are stated at cost and include all capital assets in excess of \$500. 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.

Fund Balance - The unreserved fund balance for governmental funds represents the amount available for budgeting future operations.

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.

Unrestricted - reports all other net assets that do not meet the above classification and are deemed to be available for general use by the Agency.

Total fund balance of the Agency's governmental funds differs 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.

(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 GASB Statement No. 16 - "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 and unused compensatory absences at various rates subject to certain maximum limitations.

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

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(f) Use of Estimates

A number of estimates and assumptions relating to the reporting of revenue, expenditures, assets and liabilities and disclosure of contingent liabilities were used to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(2) 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 Agency's 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. A combined comparison of those budgets to actual revenue and expenditures is not considered meaningful and, therefore, has not been included in the accompanying financial statements.

(3) Detail Notes on all Funds and Account Groups

(a) Cash and Equivalents

At December 31, 2010, cash and equivalents consist of the following:

Checking accounts - unrestricted	\$ 515,354
Money market - unrestricted	474,924
Checking accounts - restricted	50,923
Petty cash	<u>202</u>
Cash and equivalents	\$ <u>1,041,403</u>

As of December 31, 2010 the bank balances 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) Investments

The Agency had no investments at December 31, 2010 or at anytime during the year.

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

Notes to Financial Statements, Continued

(3) Detail Notes on all Funds and Account Groups, Continued

(c) Capital Assets

	<u>January 1,</u> <u>2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31,</u> <u>2010</u>
Property acquired for redevelopment	\$ 3,889,544	40,195	(1,686,193)	2,243,546
Equipment	84,260	-	-	84,260
Less accumulated depreciation	<u>(83,016)</u>	<u>(335)</u>	<u>-</u>	<u>(83,351)</u>
Capital assets, net	<u>\$ 3,890,788</u>	<u>39,860</u>	<u>(1,686,193)</u>	<u>2,244,455</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 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 issues a publicly available financial report which includes financial statements and required supplementary information. The report may be obtained by writing the New York State and Local Employee Retirement System, 110 State Street, Albany, New York, 12244.

Funding Policy - The System is noncontributory except for employees who joined the New York State and Local Employee's Retirement System after July 27, 1976 who contribute 3% of their salary for the first ten years of membership. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates used in computing the employers' contributions. The rate billed by the Comptroller for ERS during the year ended December 31, 2010 was 11.3%. The required contributions for the current year and two preceding years were as follows:

<u>Year</u>	<u>Annual contribution</u>	<u>Billing adjustments</u>	<u>Total annual payment</u>
2010	\$ 29,765	2,345	32,110
2009	17,402	(374)	17,028
2008	<u>18,778</u>	<u>(19)</u>	<u>18,759</u>

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

Notes to Financial Statements, Continued

(3) Detail Notes on all Funds and Account Groups, Continued

(d) Retirement System, Continued

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 2010.

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) was not changed for the calculation.

(e) Long-Term Debt

A summary of changes in long-term debt for the year ended December 31, 2010 is as follows:

	Balance at January 1, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance at December 31, <u>2010</u>	<u>Current Portion</u>
Loan - Town of North Hempstead:					
Principal	\$ 1,200,000	-	(1,200,000)	-	-
Accrued interest at 1.5%	63,200	10,130	(73,330)	-	-
Compensated absences	<u>42,656</u>	<u>25,945</u>	<u>(31,280)</u>	<u>37,321</u>	<u>24,955</u>
	<u>\$ 1,305,856</u>	<u>36,075</u>	<u>(1,304,610)</u>	<u>37,321</u>	<u>24,955</u>

The Agency borrowed \$1,200,000 to purchase property at 142 Magnolia Avenue, Westbury, for the development of a community center. The Agency transferred ownership to the Town for forgiveness of the principal and interest in August 2010.

(f) Due to the Town of North Hempstead

The Agency had a \$340,000 non-interest bearing demand loan with the Town of North Hempstead at December 31, 2009. In August 2010, the Agency transferred ownership of 135 Garden Street to the Town of North Hempstead in exchange for forgiveness of this loan.

(g) Deferred Revenue

Deferred revenue includes outstanding principal balances on the residential and commercial loans which are collectible in the future. The Agency makes loans and grants under two programs:

TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY
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Notes to Financial Statements, Continued

(3) Detail Notes on all Funds and Account Groups, Continued

(g) Deferred Revenue, Continued

- 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 upon the death of the owner.
- Commercial loans - These loans are made to owners of business properties to improve their buildings and increase their working capital.

(h) Other Revenue

The amount of other revenue received for the year ended December 31, 2010 was as follows:

Miscellaneous sales and reimbursements	\$ 25
Retiree share of health insurance	<u>2,167</u>
Total other revenue	\$ <u>2,192</u>

(i) Other Postemployment Benefits

In the government-wide financial statements, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be recognized in the periods in which services are rendered, 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 began to recognize the costs of postemployment healthcare in the year when the employee services are received and provide information useful in assessing potential demands on the Agency's future cash flows. Recognition of the existing liability accumulated from prior years will be phased in over 30 years.

Plan Description - The Agency, as a single-employer defined benefit plan, per its contracts with employees, pays the full premium costs for the medical and prescription drug benefits provided through the New York State Health Insurance Program (NYSHIP). 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. These plans are experience rated with retiree costs based on the plan rates without adjustment for age. Retiree costs are equal to the individual rate plus NYSHIP Empire plan administrative fees. Spouse costs are equal to the family rate less the individual rate. For 2010, the Medicare Part B premium for Medicare eligibles was reimbursed at \$96.50 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. Employees who have reached age 62 and attained 16 years of service are entitled to 100% coverage and their surviving spouse will also be eligible for 100% coverage upon the retirees death.

TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY
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Notes to Financial Statements, Continued

(3) Detail Notes on all Funds and Account Groups, Continued

(i) Other Postemployment Benefits, Continued

The number of participants as of January 1, 2010 was as follows:

Active employees	4
Retired members	3
Spouses of deceased retirees	<u>1</u>
Total	<u>8</u>

Funding Policy - The Agency currently pays for postemployment 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	<u> -</u>
Underfunded Actuarial Accrued Liability (UAAL)	\$ <u>722,028</u>
Funded ratio	<u> 0%</u>
Covered payroll	\$ <u>237,990</u>
UAAL as a percentage of covered payroll	<u>303.39%</u>
Normal Costs at beginning of year	\$ <u>46,900</u>

Level Dollar Amortization

Calculation of ARC under Projected Unit Credit Method:

Amortization of UAAL over 30 years with interest to end of year	\$ 39,472
Normal Costs with interest to end of year	<u>70,524</u>
Annual Required Contribution (ARC)	\$ <u>109,996</u>

Annual OPEB Cost Contribution

Contribution for the year ended December 31, 2010	\$ 15,464
Contribution as a percentage of required contribution	14.1%

TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY
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Notes to Financial Statements, Continued

(3) Detail Notes on all Funds and Account Groups, Continued

(i) Other Postemployment Benefits, Continued

Annual OPEB Cost and Net OPEB Obligation

Annual required contribution	\$ 109,996
Interest on net OPEB obligation	2,890
Adjustment to annual required contribution	<u>(6,453)</u>
Annual OPEB cost (expense)	106,433
Contribution made on a pay-as-you-go basis	<u>(15,464)</u>
Increase in net OPEB obligation	90,969
Net OPEB obligation at beginning of year	<u>144,514</u>
Net OPEB obligation at end of year	\$ <u>235,483</u>
Actuarial methods and assumptions:	
Funding interest rate (Assuming benefits are not prefunded)	2%
2010 Medical trend rate	8%
Ultimate trend rate	4.7%
Year Ultimate trend rate rendered	2020
Annual payroll growth rate	-
Actuarial cost method	Projected Unit Credit
The remaining amortization period at December 31, 2010	30 years

(j) Contingencies

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 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.