

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

FINANCIAL REPORT

December 31, 2012

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

FINANCIAL REPORT

December 31, 2012

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis	3-12
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet - Governmental and Fiduciary Funds	15
Reconciliation of Governmental Fund Balance Sheet to Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund to the Statement of Activities	18
Notes to the Financial Statements	19-29
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	30
Schedule of Funding Progress - Other Postemployment Benefits Plan	31

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 governmental activities, each major fund, and the aggregate remaining fund information of the Town of North Hempstead Community Development Agency (Agency) (a component unit of the Town of North Hempstead, New York) as of and for the year ended December 31, 2012, 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, 2012, and the respective changes in financial position, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of revenues, expenditures and changes in fund balance - budget and actual, general fund, and the schedule of funding progress - other postemployment benefits on pages 3 through 12, page 30, and page 31, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2013, 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.

Bollam Sheedy Torani & Co. LLP

Albany, New York
March 20, 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, 2012**

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, 2012. 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, 2012, the Agency had total assets of \$5.523 million, total liabilities of \$1.485 million, and net position of \$4.038 million.
- Total revenues for the year ended December 31, 2012, were \$1.893 million and total expenses were \$1.807 million, resulting in an excess of revenues over expenses of approximately \$86,000.
- The Agency issued an economic development loan of \$300,000 for a new facility and expansion of an existing business in the Urban Renewal Zone. The funds were provided by the economic development line of the Agency's federal U.S. Department of Housing and Urban Development - Community Development Block Grant (the "Block Grant") program. The Agency also issued approximately \$149,000 in home buyer subsidy loans through the down payment assistance line of the Block Grant program. See loan receivables footnote 3b.
- The Agency purchased 336 Rose Place at a cost of \$333,547 which is included in the property held for redevelopment. The purchase costs have been reimbursed through the Block Grant program. The Agency sold 183 and 187 Bond Street and the State Street properties (Site E) in 2012. In accordance with the New Cassel Development Plan, a land subsidy was granted to the developer to encourage development of affordable housing in the Urban Renewal Area. The Agency recognized a book loss of \$408,668 in relation to this subsidy. See the noncurrent assets footnote 3c.
- The Agency implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* during the year. The implementation of this statement impacted the terminology used, but did not have any impact on the net position of the Agency.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The Agency-wide financial statements that provide both short-term and long-term information about the Agency's overall financial status are the statement of net position and the statement of activities.
- The fund-based financial statements that focus on individual parts of the Agency, reporting the Agency's operations in more detail than the Agency-wide statements, are the balance sheet - governmental fund and the statement of revenues, expenditures, and changes in fund balance - general fund. These statements attempt to explain how programs were financed in the short term as well as what remains for future spending. Fiduciary funds statements provide information about the financial relationships in which the Agency acts solely as a trustee or agent for the benefit of others. This statement is presented alongside the balance sheet of the governmental fund.
- 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, 2012**

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"> · Statement of Net Position · Statement of Activities 	<ul style="list-style-type: none"> · Balance Sheet · Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> · Balance Sheet
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Cash Basis
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term; funds do not contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year.

**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, 2012**

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Agency-Wide Statements

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

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

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

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

Fund Financial Statements

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

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

The Agency has two kinds of funds:

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012**

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Changes in Net Position

The Agency's net position decreased by approximately \$86,000, or 2.18% for the year ended December 31, 2012. Restricted for property held for redevelopment decreased by approximately \$573,000, or 20.27%, whereas restricted for home and community services increased approximately \$659,000, or 58.60%.

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

	December 31,		Increase (Decrease)	% Change
	2012	2011 Restated		
ASSETS				
Cash and cash with fiscal agent	\$ 1,033,470	\$ 796,546	\$ 236,924	29.74%
Federal aid receivable	649,403	314,980	334,423	106.17%
Other receivables, net	72,966	45,743	27,223	59.51%
Prepays	31,388	25,755	5,633	21.87%
Noncurrent assets, net	3,735,694	3,875,733	(140,039)	-3.61%
Total assets	<u>5,522,921</u>	<u>5,058,757</u>	<u>464,164</u>	9.18%
LIABILITIES				
Current:				
Payables and other	37,377	24,425	12,952	53.03%
Long-term:				
Compensated absences	34,960	24,323	10,637	43.73%
Unearned revenue	948,933	743,502	205,431	27.63%
Other postemployment benefits	463,787	314,652	149,135	47.40%
Total liabilities	<u>1,485,057</u>	<u>1,106,902</u>	<u>378,155</u>	34.16%
NET POSITION				
Net investment in capital assets	320	495	(175)	-35.35%
Restricted for				
Property held for redevelopment	2,253,873	2,826,728	(572,855)	-20.27%
Home and community service	1,783,671	1,124,632	659,039	58.60%
Total net position	<u>4,037,864</u>	<u>3,951,855</u>	<u>86,009</u>	2.18%
Total liabilities and net position	<u>\$ 5,522,921</u>	<u>\$ 5,058,757</u>	<u>\$ 464,164</u>	9.18%

**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, 2012**

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

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

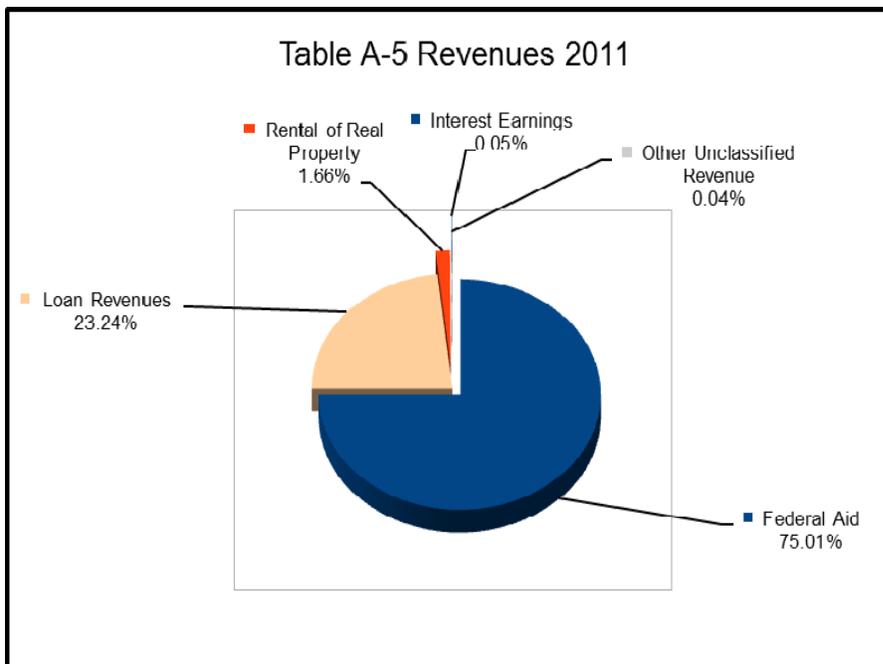
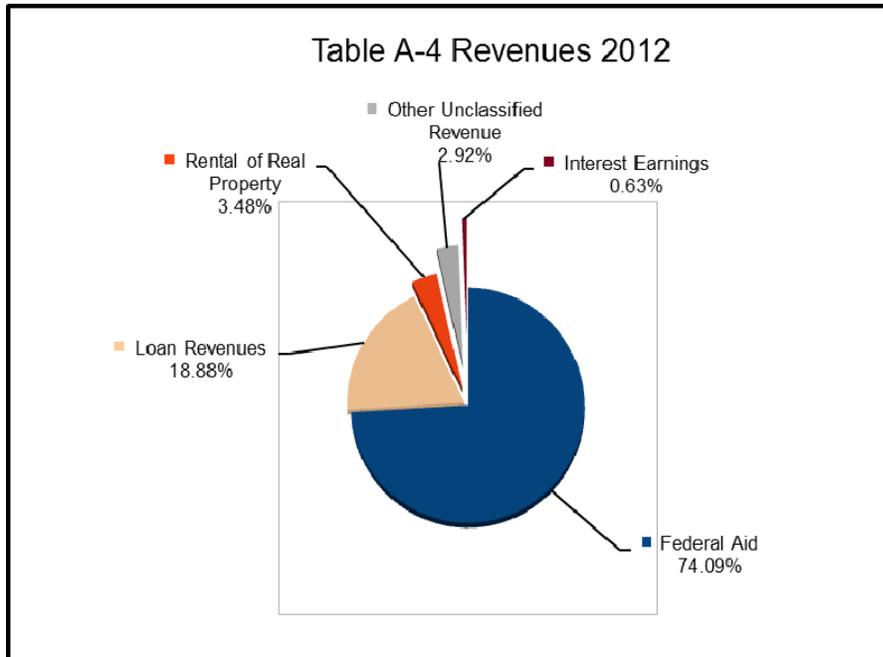
	<u>Years Ended December 31,</u>		<u>Increase (Decrease)</u>	<u>% Change</u>
	<u>2012</u>	<u>2011 Restated</u>		
REVENUES				
Program revenues				
Operating grants, federal aid	\$ 1,402,733	\$ 1,438,749	\$ (36,016)	-2.50%
Charges for services	423,316	477,582	(54,266)	-11.36%
General revenues				
Interest earnings	11,965	975	10,990	1127.18%
Other revenue	55,295	800	54,495	6811.88%
Total revenues	<u>1,893,309</u>	<u>1,918,106</u>	<u>(24,797)</u>	-1.29%
EXPENSES				
Personal services and benefits	585,739	503,901	81,838	16.24%
Contractual and other expenditures	812,718	901,314	(88,596)	-9.83%
Unallocated depreciation	175	414	(239)	-57.73%
Loss on sale of property	408,668	-	408,668	100.00%
Total expenses	<u>1,807,300</u>	<u>1,405,629</u>	<u>401,671</u>	28.58%
Change in net position	86,009	512,477	(426,468)	-83.22%
NET POSITION, beginning of year, as restated	<u>3,951,855</u>	<u>3,439,378</u>	<u>512,477</u>	14.90%
NET POSITION, end of year	<u>\$ 4,037,864</u>	<u>\$ 3,951,855</u>	<u>\$ 86,009</u>	2.18%

**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, 2012**

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

The Agency's 2012 revenues totaled \$1.893 million, a decrease of approximately \$25,000, or 1.29% when compared to total revenues for 2011. The decrease was primarily due to a smaller loan issued in 2012 than 2011 and lower federal reimbursable aid being earned. These decreases were offset by other revenue which includes the developer fee charged in the sale of Site E and the rental income for 336 Rose Place which was included in charges for services. The interest earnings on the 2011 loan also began in 2012.

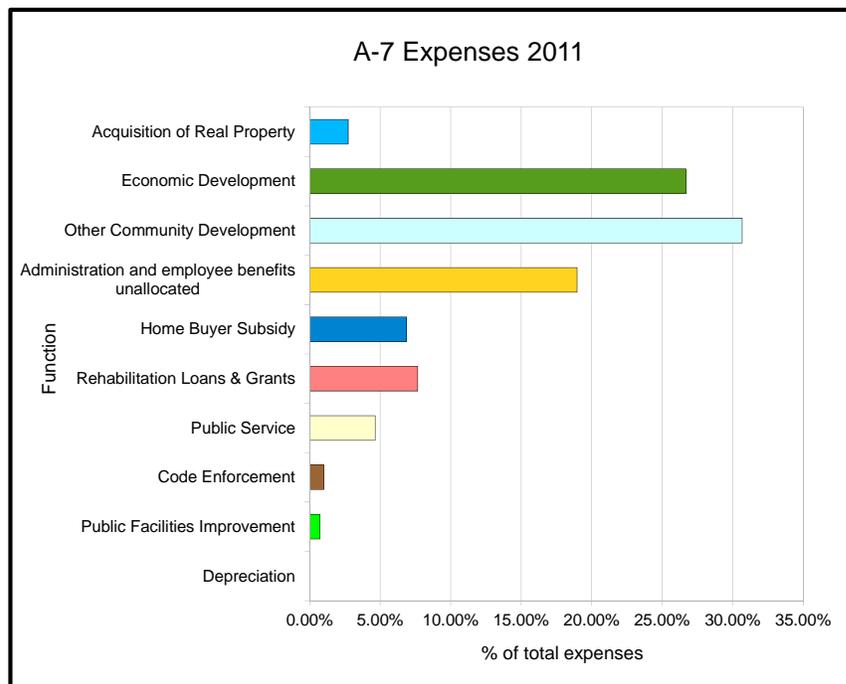
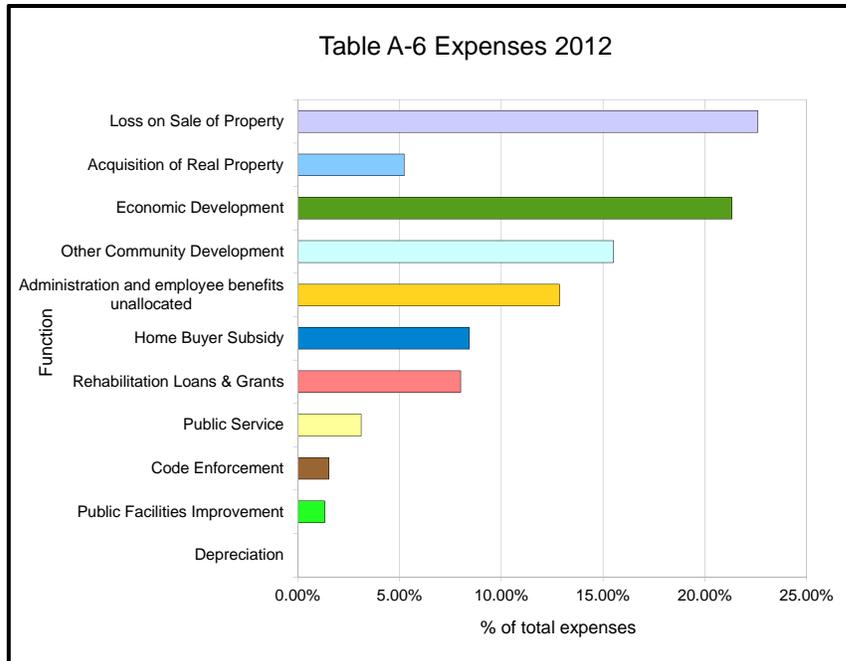


**TOWN OF NORTH HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY
(A Component Unit of the Town of North Hempstead, New York)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012**

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

The cost of operating programs and services totaled \$1.399 million, a decrease of approximately \$7,000, or .50% when compared to total expenses for 2011. The majority of the net decrease occurred in other community development expenses which included disposition, demolition, and clearance and relocation. The home buyer subsidy program expense increased by approximately \$62,000. The loss on sale of Site E amounted to approximately \$409,000, or 22.61% of total expenses.



**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, 2012**

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued`

General Fund Budgetary Highlights

a. 2012 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, 2012, was \$3,006,288.

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	\$ 1,087,852
Revenue under budget	(873,294)
Expenditures and encumbrances under budget	1,336,848
Increase in nonspendable prepaids	(5,633)
Transfer to reserves	7,219
Capital contribution	<u>92,624</u>
Closing, restricted fund balance	<u><u>\$ 1,645,616</u></u>

Revenues Under Budget

The 2012 original budget for revenues was \$3,006,288. Actual revenues received for the year were \$2,132,994. The amount of actual revenue under final budgeted revenue was \$873,294. Federal subsidies which are expenditure reimbursement driven were under budget by \$605,937 due to the timing of various program activities. The sales of real property that were budgeted for \$389,901 did not occur. This change contributes to the decrease in the Restricted General Fund - Fund Balance from December 31, 2011, to December 31, 2012.

Expenditures and Encumbrances Under Budget

The 2012 final budget for expenditures was \$2,913,664. Actual expenditures as of December 31, 2012, were \$1,569,597 and encumbrances were \$7,219. The final budget was under expended by \$1,336,848 anticipated purchases of property and the related development expense did not come to fruition. This change contributes to the increase in the Restricted General Fund, Fund Balance from December 31, 2011, to December 31, 2012.

Transfer to Reserves

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

Increase in Nonspendable Fund Balance

The Agency's nonspendable fund balance related to prepaids increased by \$5,633, and has the effect of decreasing restricted fund balance.

**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, 2012**

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued`

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.

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

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

Total assets of the General Fund increased from \$2.232 million in 2011 to \$3.268 million in 2012. The overall increase was due to an increase in cash, federal aid receivable, home buyer subsidy loans receivable, and a new economic development loan.

Total liabilities of the General Fund increased from \$1.118 million in 2011 to \$1.591 million in 2012. The increase is due primarily to the increase in unearned revenues related to various loan receivables.

NONCURRENT ASSETS AND DEBT ADMINISTRATION

Noncurrent Assets

By the end of 2012, the Agency had \$2.254 million in property acquired for redevelopment and \$320 in equipment, net of accumulated depreciation. The Agency purchased 336 Rose Place and sold Site E which included 183 and 187 Bond Street and State Street properties. The Agency had loan receivables due over one year of \$1.482 million at December 31, 2012. Refer to the financial highlights in this section for more information.

Long-Term Obligations

As of December 31, 2012, the Agency's long-term obligations consisted of compensated absences obligations of approximately \$35,000 and postemployment benefits of approximately \$464,000.

**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, 2012**

FACTORS BEARING ON THE FUTURE OF THE AGENCY

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

The employees' union contract was approved in 2012.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

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

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

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

**STATEMENT OF NET POSITION
December 31, 2012**

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 1,033,470
Receivables	
Federal aid receivable	649,403
Loans receivable, current	72,440
Accounts receivable, net	120
Interest receivable	406
Prepaid expenses	31,388
Total current assets	<u>1,787,227</u>
NONCURRENT ASSETS	
Loans receivable, due after one year	1,481,501
Property held for redevelopment	2,253,873
Capital assets, net	320
Total noncurrent assets	<u>3,735,694</u>
Total assets	<u>\$ 5,522,921</u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	<u>\$ 37,377</u>
NONCURRENT LIABILITIES	
Long-term liabilities, due after one year	
Unearned revenues	948,933
Compensated absences	34,960
Post-employment benefits	463,787
Total noncurrent liabilities	<u>1,447,680</u>
Total liabilities	<u>1,485,057</u>
NET POSITION	
Net investment in capital assets	320
Restricted for	
Property held for redevelopment	2,253,873
Home and community service	1,783,671
Total net position	<u>4,037,864</u>
Total liabilities and net position	<u>\$ 5,522,921</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

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

**STATEMENT OF ACTIVITIES
Year Ended December 31, 2012**

Functions/Programs	Expenses	Operating Grants	Charges for Services	Net Revenue (Expense)
Acquisition of real property	\$ 94,560	\$ 377,893	\$ -	\$ 283,333
Economic development	385,624	370,024	300,000	284,400
Other community development	280,542	178,340	65,951	(36,251)
Administration and employee benefits, unallocated	232,401	186,341	-	(46,060)
Home buyer subsidy program	152,437	98,141	-	(54,296)
Rehabilitation	144,829	101,045	57,365	13,581
Public service	56,389	55,296	-	(1,093)
Code enforcement	27,714	19,319	-	(8,395)
Public facilities improvement	23,961	16,334	-	(7,627)
Unallocated depreciation	175	-	-	(175)
Total governmental activities	<u>\$ 1,398,632</u>	<u>\$ 1,402,733</u>	<u>\$ 423,316</u>	<u>427,417</u>

NONOPERATING REVENUES/EXPENSES

Interest earnings	817
Interest from economic development loan	11,148
Other unclassified revenue	55,295
Loss on sale of property	(408,668)
Total nonoperating revenues/expenses	<u>(341,408)</u>

Total change in net position 86,009

NET POSITION, beginning of year, as originally reported 3,601,855

Prior period adjustment 350,000

NET POSITION, beginning of year, as restated 3,951,855

NET POSITION, end of year \$ 4,037,864

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

**BALANCE SHEETS - GOVERNMENTAL AND FIDUCIARY FUNDS
December 31, 2012**

	General Fund	Agency Fund
ASSETS		
Cash	\$ 1,033,470	\$ 7,062
Receivables		
Federal aid receivable	649,403	-
Residential rehab loans receivable	677,553	-
Home buyer subsidy loans receivable	221,853	-
Commercial rehab loans receivable	49,527	-
Economic development loan receivable	605,008	-
Accounts receivable (net of allowance)	120	-
Prepaid expenses	31,388	-
Total assets	\$ 3,268,322	\$ 7,062
LIABILITIES AND FUND BALANCE		
Accounts payable and accrued expenses	\$ 37,377	\$ -
Deposits	-	7,062
Unearned revenues	1,553,941	-
Total liabilities	1,591,318	\$ 7,062
Fund balance		
Non-spendable, prepaid	31,388	
Restricted, Federal Programs	1,645,616	
Total fund balance	1,677,004	
Total liabilities and fund balance	\$ 3,268,322	

**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 POSITION
Year Ended December 31, 2012**

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

Total fund balance - governmental funds		\$ 1,677,004
Property held for redevelopment used in governmental activities is not a financial resources and, therefore, is not reported in the funds.		2,253,873
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The amount is net of accumulated depreciation.		320
Interest receivable on economic development loans does not provide current financial resources and, therefore, is not reported as an asset in the governmental funds balance sheet.		406
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	34,960	
Postemployment benefits	<u>463,787</u>	(498,747)
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>605,008</u>
Net position - governmental activities		<u><u>\$ 4,037,864</u></u>

**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
Year Ended December 31, 2012**

REVENUES	
Federal aid	\$ 1,402,733
Loan repayments	102,357
Use of money and property	
Interest earnings on investments	817
Interest on economic development loan	10,742
Rental of real property	65,951
Sale of real property	495,099
Other unclassified revenue	55,295
Total revenues	<u>2,132,994</u>
 EXPENDITURES	
Acquisition of real property	402,842
Economic development	368,193
Other community development	225,774
Home buyer subsidy program	152,357
Administration	153,317
Rehabilitation	122,050
Employee benefits, unallocated	51,750
Public service	56,389
Code enforcement	19,874
Public facilities improvement	17,051
Total expenditures	<u>1,569,597</u>
Excess of revenues over expenditures	563,397
 FUND BALANCE, beginning of year	 <u>1,113,607</u>
 FUND BALANCE, end of year	 <u><u>\$ 1,677,004</u></u>

The accompanying Notes to Financial Statements are an integral part of these 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
Year Ended December 31, 2012**

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

Net change in fund balance, governmental funds	\$ 563,397
Accrued interest for governmental activities is not available for use in current financial resources and, therefore, is not recorded in the governmental funds.	406
Governmental funds report capital outlays as expenditures. This is the amount expended in the governmental funds for property held for redevelopment in the period.	330,912
Gain on the sale of real property is reflected as a revenue in the governmental funds for the cash received.	(495,099)
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.	255,008
Loss on the sale of real property, is reflected as a nonoperating expense for the difference in amount received for the property sold from its book value.	(408,668)
Depreciation expense on capital assets is reported in the agency-wide statement of activities and changes in net position, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(175)
Changes in compensated absence liability is reported as an increase in benefits in the statement of activities, but does not involve the use of current resources and, therefore, is not reported as an expenditure in the governmental funds.	(10,637)
Changes of post-employment expense is reported as an increase in benefits in the statement of activities, but does not involve the use of current resources and, therefore, is not reported as an expenditure in the governmental funds.	<u>(149,135)</u>
Change in net position of governmental activities	<u><u>\$ 86,009</u></u>

The accompanying Notes to Financial Statements are an integral part of these 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, 2012

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity

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

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

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

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

b. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Agency's governmental activities. Direct expenses are restricted to meeting the operational or capital requirements of a particular program. Program revenues include operating grants from federal aid from the 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.

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

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

b. Basis of Presentation - Continued

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

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

The following is the Agency's governmental fund type:

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

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

c. Basis of Accounting/Measurement Focus

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

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

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 the sale of the residential property or when the owner is deceased.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

d. Assets, Liabilities, and Fund Balance - Continued

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. Homebuyer 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 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, 2012.

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.

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

d. Assets, Liabilities, and Fund Equity - Continued

Deferred Outflow/Inflow of Resources - The Agency has adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. A deferred outflow of resources is a consumption of net position by the Agency that is applicable to a future period. A deferred inflow of resources is an acquisition of net position by the Agency that is applicable to a future reporting period. The Agency reported no deferred outflows or inflows of resources at December 31, 2012.

Unearned Revenue - Consists of assets that are recognized before revenue recognition criteria has been satisfied. Unearned revenue consists of the balances at year end of loans receivable. Such amounts have been deemed to be measurable but not available pursuant to generally accepted accounting principles.

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 at December 31, 2012.

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 - The Agency has implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

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 the federal aid.

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

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

Assigned fund balance - Includes amounts with constraints placed by the Agency's intent to be used for specific purposes, but neither restricted or committed.

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

Total fund 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, 2012**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

e. Encumbrances

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

f. Expenditures

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

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

g. Use of Estimates

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

h. Reclassifications

Certain reclassifications have been made to conform with current year presentation.

NOTE 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 Community Development Agency Board of Directors. The Board then approves the administrative budget based on the allotment. The Agency's Board of Directors is authorized to enter into amendatory agreements with Nassau County and empower the Agency to transfer or increase grant amount within the Block Grant categories.

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

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

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

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued

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 3 - DETAIL NOTES ON ALL FUNDS

a. Cash

Cash consists of the following:

	December 31, 2012
Checking accounts	\$ 242,974
Money market	790,294
Checking accounts escrow	7,062
Petty cash	202
Total cash	<u>\$ 1,040,532</u>

As of December 31, 2012, the bank balances of deposits of \$1.041 million 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. Loan Receivables and Write-Offs

	January 1, 2012	Increases	Decreases	December 31, 2012	Due Within One Year	Noncurrent
Residential loans						
Conditional loans, convertible after five years to grant	\$ 83,237	\$ 40,888	\$ -	\$ 124,125	\$ -	\$ 124,125
Deferred loans, payable at change in ownership	610,738	-	57,310	553,428	-	553,428
	693,975	40,888	57,310	677,553	-	677,553
Commercial loans	49,527	-	-	49,527	-	49,527
Economic development loan 1, seven-year term at 3.25%, payments due annually on January 20	350,000	-	44,992	305,008	46,662	258,346
Economic development loan 2, ten-year term at 3.25%, first payment due January 27, 2013	-	300,000	-	300,000	25,778	274,222
	350,000	300,000	44,992	605,008	72,440	532,568
Homebuyer subsidy loans, convertible over five years to grant at 20% per year	-	240,000	18,147	221,853	-	221,853
Total loan receivables	<u>\$ 1,093,502</u>	<u>\$ 580,888</u>	<u>\$ 120,449</u>	<u>\$ 1,553,941</u>	<u>\$72,440</u>	<u>\$ 1,481,501</u>

The Agency did not write-off any deferred loans 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
December 31, 2012**

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

c. Noncurrent Assets, excluding loans receivable

Noncurrent asset activity was as follows:

	January 1, 2012	Additions	Deletions	December 31, 2012
Property acquired for redevelopment	\$ 2,826,728	\$ 330,912	\$ 903,767	\$ 2,253,873
Capital assets - equipment	43,127	-	-	43,127
Less accumulated depreciation	42,632	175	-	42,807
Capital assets, net	495	(175)	-	320
Noncurrent assets, net	<u>\$ 2,827,223</u>	<u>\$ 330,737</u>	<u>\$ 903,767</u>	<u>\$ 2,254,193</u>

During 2012, the Agency sold property held for redevelopment carried at its acquisition cost of \$903,767 for \$495,099, which resulted in a loss on the sale of \$408,668. Depreciation expense for the year was reported as not allocated.

d. Retirement System

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

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:

Year	Annual Contribution	Interest and Amortization	Total Annual Payment
2012	\$ 49,059	\$ 5,589	\$ 54,648
2011	36,287	2,348	33,939
2010	29,765	2,345	32,110

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

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

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

d. Retirement System - Continued

Funding Policy - 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 2012.

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. Long-Term Obligations

A summary of changes in long-term obligation transactions for the year ended December 31, 2012, is as follows:

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
Compensated absences	\$ 24,323	\$ 33,406	\$ 22,769	\$ 34,960

f. Other Unclassified Revenue

The amount of other unclassified revenue received for the year ended December 31, 2012, was as follows:

Developer fee for expenses	\$ 50,500
Closing refund on 336 Rose Place	3,798
Nonrefundable bid package fee	600
Miscellaneous	397
	\$ 55,295

g. Post-Employment Benefits

In the government-wide financial statements, the cost of postemployment 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 postemployment 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 28 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 2012, the Medicare Part B premium for Medicare eligibles was reimbursed at \$99.90 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.

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

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

g. Post-Employment Benefits - Continued

The number of participants as of January 1, 2012, was as follows:

Active employees	3
Retired members	4
Spouse of retired member, deceased August 2012	1
	8
Total	8

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

Benefit Obligations and Normal Costs

Actuarial accrued liability (AAL)	\$ 933,570
Actuarial value of plan assets	-
Underfunded actuarial accrued liability (UAAL)	\$ 933,570
Funded ratio	0.00%
Covered payroll	277,059
UAAL as a percentage of covered payroll	336.96%
Calculation of ARC under projected unit credit method annual required contribution (ARC)	\$ 179,041

Annual OPEB Cost Contribution

Contribution made by the Agency	22,423
Contribution as a percentage of required contribution	12.52%

Annual OPEB Cost and Net OPEB Obligation

Annual required contribution	179,041
Interest on net OPEB obligation	6,293
Adjustment to annual required contribution	(13,776)
Annual OPEB cost (expense)	171,558
Contribution made on a pay-as-you-go basis	(22,423)
Increase in net OPEB obligation	149,135
Net OPEB obligation at beginning of year	314,652
Net OPEB obligation at end of year	\$ 463,787

Actuarial methods and assumptions:

Funding interest rate (Assuming benefits are not prefunded)	2.00%
2013 Medical trend rate (Medical, Medicare, Dental/Vision)	10%, 8%, 6%
Ultimate trend rate (Medical, Medicare, Dental/Vision)	5%, 5%, 4%
Year Ultimate trend rate rendered	2023
Annual payroll growth rate	-
Actuarial cost method	Projected Unit Credit
The remaining amortization period at December 31, 2012	28 years

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

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

h. Contingencies

1) Federal Funding

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

2) Pending Litigation

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

3) Environmental Risks

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

i. Operating Leases

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

For the year ending December 31, 2013	\$ 6,493
2014	<u>3,467</u>
	<u><u>\$ 9,960</u></u>

j. Accounting Pronouncements Issued Not Yet Implemented

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of major fund calculations and limiting the use of the term *deferred* in the financial statements. This statement is effective for periods beginning after December 15, 2012, with earlier application encouraged.

In March 2012, GASB issued Statement No. 66, *Technical Corrections - an Amendment of Statements No. 10 and No. 62*. This statement establishes clarification on two recently issued statements; No. 54, *Fund Balance Reporting and Governmental Fund Type Definition* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement resolves conflicting guidance created as a result of the issuance of these two statements. This statement is effective for periods beginning after December 15, 2012, with earlier application encouraged.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

j. Accounting Pronouncements Issued Not Yet Implemented - Continued

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement.

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.

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

NOTE 4 - PRIOR PERIOD ADJUSTMENT

Beginning of year net position has been restated to reflect the recognition of revenue associated with a loan made in the amount of \$350,000 for economic development activities under the Agency's program administration of community development block grant funds.

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

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND**

	Year Ended December 31, 2012				
	Original Budget	Final Budget	Actual 2012	Final Budget Variance	% From Final Budget
<u>REVENUE AND FINANCIAL SOURCES</u>					
<u>Operating Revenue</u>					
Rental	\$ 36,450	\$ 36,450	\$ 65,951	\$ 29,501	81%
Loan repayments	75,968	75,968	102,357	26,389	35%
<u>Nonoperating Revenue</u>					
Investment earnings	200	200	817	617	309%
Interest on economic development loans	-	-	10,742	10,742	100%
Federal subsidies	2,008,670	2,008,670	1,402,733	(605,937)	-30%
<u>Other Nonoperating Revenue</u>					
Sale of real property	885,000	885,000	495,099	(389,901)	-44%
Other	-	-	55,295	55,295	100%
Total revenue	<u>3,006,288</u>	<u>3,006,288</u>	<u>2,132,994</u>	<u>(873,294)</u>	<u>-29%</u>
<u>EXPENDITURES</u>					
Final					
Budget Variance					
with Actual and					
Encumbrances					
Year-End					
Encumbrances					
<u>Operating Expenditures</u>					
Salaries and wages	277,058	278,089	278,089	\$ -	0%
Other employee benefits	159,612	158,581	147,878	10,703	7%
Professional service contracts	229,000	229,000	144,695	7,219	34%
Supplies and materials	1,500	1,500	1,325	175	12%
Other operating expenditures	997,294	990,105	610,309	379,796	39%
<u>Nonoperating Expenditures</u>					
Capital asset outlay	1,200,000	1,200,000	330,912	869,088	72%
Grants and donations	49,200	56,389	56,389	-	0%
Total expenditures	<u>2,913,664</u>	<u>2,913,664</u>	<u>1,569,597</u>	<u>7,219</u>	<u>1,336,848</u>
Excess of revenues over expenditures	92,624	92,624	563,397	\$ (7,219)	\$ (463,554)
Capital contribution	(92,624)	(92,624)	-		
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	563,397		
FUND BALANCE, beginning of year			<u>1,113,607</u>		
FUND BALANCE, end of year			<u>\$ 1,677,004</u>		

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**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Fiscal Year Ended	Valuation Date	Actuarial		Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
		Value of Assets	Accrued Liability				
December 31, 2012	January 1, 2012	\$ -	\$ 933,570	\$ 933,570	0.0%	\$ 277,059	336.96%
December 31, 2011	December 31, 2010	-	722,028	722,028	0.0%	290,878	248.22%
December 31, 2010	December 31, 2010	-	722,028	722,028	0.0%	237,990	303.39%