Town of Huntington
Community Development Agency

Financial Statements
with Independent Auditor's Report

For the Years Ended December 31, 2013 and 2012

TOWN OF HUNTINGTON COMMUNITY DEVELOPMENT AGENCY
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December 31, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Town Board Members of the
Town of Huntington Community Development Agency
Huntington, New York

Report on Financial Statements

We have audited the accompanying financial statements of the Town of Huntington Community Development Agency (the Agency), a component unit of the Town of Huntington, as of and for the year ended December 31, 2013, and the related notes to the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, financial position of the Agency, as of December 31, 2013, and the changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 1, the financial statements present only the Town of Huntington Community Development Agency, which is a blended component unit reported as a nonmajor governmental special revenue fund of the Town of Huntington and do not purport to, and do not, present fairly the financial position of the Town of Huntington, New York, as of December 31, 2013 and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of Town of Huntington Community Development Agency as of December 31, 2012, were audited by other auditors whose report dated April 1, 2013, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents 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 operations, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Town of Huntington Community Development Agency. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial

reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

March 25, 2014

This discussion and analysis of The Town of Huntington Community Development Agency's (the Agency) financial performance provides an overview of the Agency's financial activities for the year ended December 31, 2013. Please read this in conjunction with the financial statements and the accompanying notes to those statements.

1. FINANCIAL HIGHLIGHTS

- The liabilities of the Agency exceeded its assets at December 31, 2013 by $465,744.
- The Agency's total assets increased by $43,954 during 2013. The increase was primarily due to an increase in cash.
- The Agency's total liabilities increased by $349,247 during 2013. The increase was primarily due to an increase in the amount due to the Town of Huntington general fund.
- Expenditures exceeded revenues by $305,293 in 2013, compared to $268,678 in 2012.
- The Agency's total revenues decreased by $415,439 during 2013 due to a decrease in HUD funding and miscellaneous local source revenue. Total expenditures decreased by $378,824.

2. FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the Agency.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes can be found immediately following the financial statements.

The financial statements have been prepared on the modified accrual basis of accounting. Under that basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recorded when incurred.

3. BALANCE SHEETS

The following is a summary of the Agency's balance sheets as of December 31,

	2013	2012	Dollar Change	Percentage Change
Total Assets	$ 592,944	$ 548,990	$ 43,954	8.01 %
Total Liabilities	$ 1,058,688	$ 709,441	$ 349,247	49.23 %
Fund Balance (deficit)	$ (465,744)	$ (160,451)	$ (305,293)	190.27 %

4. STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

The following is a summary of the Agency's revenues, expenditures, and changes in fund balance for the years ended December 31,

	2013	2012	Dollar Change	Percentage Change
Total Revenues	$ 803,743	$ 1,219,182	$ (415,439)	(34.08)%
Total Expenditures	1,109,036	1,487,860	(378,824)	(25.46)%
Change in Fund Balance	(305,293)	(268,678)	(36,615)	13.63 %
Fund Balance, (Deficit) January 1	(160,451)	108,227	(268,678)	(248.25)%
Fund Balance, (Deficit) December 31	$ (465,744)	$ (160,451)	$ (305,293)	190.27 %

TOWN OF HUNTINGTON COMMUNITY DEVELOPMENT AGENCY
Balance Sheets
December 31, 2013 and 2012

	2013	2012
ASSETS		
Cash	$ 559,008	$ 516,978
Receivables	16,044	17,567
Due from other governments	9,458	6,568
Prepaids	8,434	7,877
Total Assets	$ 592,944	$ 548,990
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ 41,165	$ 10,604
Due to Town of Huntington general fund	984,510	679,590
Escrow deposits	21,500	6,500
Security deposits	11,513	12,747
Total Liabilities	1,058,688	709,441
Fund Balance		
Nonspendable: Prepaids	8,434	7,877
Unassigned (Deficit)	(474,178)	(168,328)
Total Fund Balance (Deficit)	(465,744)	(160,451)
Total Liabilities and Fund Balance	$ 592,944	$ 548,990

See Notes to Financial Statements

TOWN OF HUNTINGTON COMMUNITY DEVELOPMENT AGENCY
Statements of Revenues, Expenditures and Changes in Fund Balance
For the Years Ended December 31, 2013 and 2012

	2013	2012
REVENUES		
Federal Aid:		
Community Development Block Grant	$ 498,237	$ 795,380
Program income	38,996	83,490
Miscellaneous local sources	266,510	340,312
Total Revenues	803,743	1,219,182
EXPENDITURES		
Community Development Block Grants:		
Town-wide rehabilitation program	297,867	621,425
Rehabilitation administration	115,555	164,823
Planning and program support	174,251	172,938
Huntington Station revitalization		9,497
Fair housing education	7,000	7,500
Family service league	8,306	14,959
Millennium Hills	4,311	5,689
Reach CYA		4,107
Total Community Development Block Grant Expenses	607,290	1,000,938
Other Expenses:		
Town down-payment assistance		27,900
Other non-federal expenditures	257,448	229,284
Other expenditures	244,298	229,738
Total Program Expenditures	1,109,036	1,487,860
Net Change in Fund Balance	(305,293)	(268,678)
Fund Balance (Deficit) - January 1	(160,451)	108,227
Fund Balance (Deficit) - December 31	$ (465,744)	$ (160,451)

See Notes to Financial Statements

1. ORGANIZATION AND PURPOSE

Organization

The Town of Huntington Community Development Agency (the "Agency") is a public benefit corporation created by New York State legislation. The purpose of the Agency is to act on behalf of the Town of Huntington, New York (the "Town") to promote the safety, health and welfare of the Town's inhabitants and to promote the sound growth and development of the Town. The Agency's principal source of revenue is from grants from the United States Department of Housing and Urban Development (HUD). The Agency is responsible for complying with the terms of the grant agreements. The Town Board presides as the Agency's Board. The Agency's management is designated by the Town Board. The Town Board is completely accountable for fiscal matters. The Agency is a component unit of the Town of Huntington and is reported by them as a special revenue fund in accordance with Governmental Accounting Standards Board (GASB).

These financial statements present only the Town of Huntington Community Development Agency, a special grant fund, and do not purport to, and do not, present fairly the financial position of the Town of Huntington, New York, as of December 31, 2013, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

A. Financial Reporting Entity

The Agency is a public benefit corporation created by New York State legislation, with the Town of Huntington as its sole member.

B. Measurement Focus and Basis of Accounting

The Agency uses the modified accrual basis of accounting, whereby revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which is 60 days. Expenditure-driven grants are recognized as revenues when the qualifying expenditures have been incurred and all other grant requirements have been met. Expenditures are recorded when incurred.

The modified accrual basis of accounting does not reflect any long term assets or long term liabilities of the Agency in the accompanying financial statements. These amounts are reflected in the government-wide financial statements of the Town of Huntington, New York.

C. Federal Programs

The Agency receives funds to provide housing assistance to low income families in Huntington, New York through various federal programs. Programs provide grants to individuals or organizations for the purchase, construction and rehabilitation of single and multi-family residential properties.

Revenue is recognized as qualifying expenditures are incurred under these programs. Funding from these programs has been fully utilized or obligated as of December 31, 2013.

Federal program funds are also received for the purpose of making low interest loans to qualified borrowers. As these loans are collected, the funds must be re-loaned under the same restrictions. These funds are included in net income when received and remain in fund balance, subject to the program use restrictions, as long as the program is available under federal regulations.

D. Program Income

Program income represents revenue received from individuals as repayment of the loans the Agency provides for rehabilitation of their homes. The Agency has two loan programs: a fixed-rate loan and a deferred loan program. The Agency has secured these loans with Suffolk County by filing a lien on the borrower's property.

Under the fixed rate loan program, the individual homeowner is required to make monthly payments at a low interest rate to the Agency. As of December 31, 2013, there is one outstanding loan with a balance due of $13,076. This loan is payable in monthly installments of $450.

Under the deferred rate loan program, no monthly payments are made. However, upon death of the homeowner(s), sale or refinancing of the home, the loan is repaid by the homeowner. The money received from the repayment is credited to the rehabilitation budget and spent on the deferred rate loan program. The amount outstanding under the deferred rate loan program as of December 31, 2013 is $4,925,169, and long term is not reflected in the financial statements since they are prepared on a modified accrual basis.

Program income received is restricted 80% for program purposes and 20% for administrative purposes.

E. Miscellaneous Local Sources

Miscellaneous local source revenue primarily consists of rental income.

F. Compensated Absences

Employees of the Agency are entitled to paid vacations, sick days, and personal days off, depending on job classification, length of service and other factors. The compensated absences liability at December 31, 2013 was approximately $168,000. The Town of Huntington, New York is responsible for the compensated absence liability of the Agency; as such the liability has been recorded on the Town of Huntington, New York's financial statements as long term debt. Accordingly, no liability has been recorded in the accompanying balance sheet. The Agency's policy is to recognize the costs of compensated absences when actually paid.

G. Income Taxes

The Agency is a public benefit corporation and is exempt from income taxes under the Internal Revenue Code.

H. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank deposits and investments with a maturity date of three months or less.

I. Receivables

Receivables are shown net of an allowance for uncollectibles, if any. However, no allowance for uncollectibles has been provided since it is believed that such allowance would not be material.

J. Due to Town of Huntington – General Fund

The balance represents amounts owed to the Town of Huntington to financially support the operations of the Agency. This liability primarily consists of a portion of salaries and benefits for employee costs that are not reimbursed through federal funds.

K. Fund Balance Classifications

The financial statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used, as follows:

Nonspendable - Includes amounts that cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. This includes fund balance related to inventories, prepaids, long-term loans and notes receivable and property held for resale (unless the proceeds are restricted, committed or assigned). The Agency utilizes the non-spendable fund balance for prepaid insurance expense.

Restricted – Includes amounts that can be spent only for specific purposes stipulated by constitutional provisions, enabling legislation or external resource providers such as creditors, grantors, contributors or laws/regulations of other governments. The Agency has no resources that meet this criteria.

Committed – Includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the entity Board, the entity's highest level of decision-making authority. These constraints can only be removed by the same formal action of the entity Board. The Agency has no resources that meet this criteria.

Assigned – Includes amounts that are constrained by the entity's intent to be used for specific purposes, but do not meet the criteria to be classified as restricted or committed. The entity Board is not required to impose or remove the constraint. Assignments cannot be made if it would result in a negative unassigned fund balance. The Agency has no resources that meet this criteria.

Unassigned – Reports a deficit fund balance resulting from overspending for the Agency's specific purpose for which amounts are otherwise constrained.

L. Reclassifications

Certain 2012 balances have been reclassified to conform with the 2013 presentation. Such reclassifications did not have an effect on the financial results reported.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balance

The Agency has an unassigned fund balance deficit of $474,178 at December 31, 2013. The Board and management of the Agency are addressing this deficit through a multi-year plan. As part of this plan and starting in 2014, the Agency shall receive a 1% administration fee to monitor the sale or resale and rental certain incoming affordable units, as well as a set administration fee for certain incoming affordable rental units, in compliance with the Town of Huntington Affordable Housing Law. The anticipated administration fee for this monitoring in 2014 is expected to offset the Agency's deficit and the amount due to the Town. In addition, the Agency is currently investigating the feasibility of disposing of real property to address and mitigate future budgetary concerns.

4. CASH EQUIVALENTS

Cash in Banks

The Agency's investment policies are governed by state statues and Agency policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and deposits are as follows:

A. Uncollateralized,
B. Collateralized by securities held by the pledging financial institution, or
C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the Agency's name.

The aggregate bank balances were fully collateralized and covered by FDIC insurance at year end.

5. RELATED PARTY TRANSACTIONS

The Agency is related through a common board with the Town of Huntington. The Town Board serves as the Directors of the Agency. The Agency has certain expenses paid for by the Town of Huntington, who then bills the Agency for the amounts paid. The net amount due to the Town of Huntington (payable) at December 31, 2013 is $984,510.

6. COMMITMENTS AND CONTINGENCIES

Rental Income

The Agency receives rental income from lease agreements on various properties it owns within the Town of Huntington. As of December 31, 2013 this property was comprised of four houses, two rental

apartments, three storefronts which are month to month cancellable leases. Rental income for these properties totaled $137,495.

In addition, the Agency has a land lease in which they currently receive a minimum of $10,000 on a monthly basis for a ninety-nine year land lease which expires in the year 2100.

The future minimum lease payments due to the Agency on this lease are as follows:

2014	$ 120,000
2015	120,000
2016	120,000
2017	120,000
2018	120,000
2019 and thereafter	16,803,333
	$ 17,403,333

Rental income for this land lease for the year ended December 31, 2013 was $129,000.

7. SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through March 25, 2014, the date the financial statements were available to be issued. The Agency has concluded that no subsequent events have occurred that require recognition or disclosure.

TOWN OF HUNTINGTON COMMUNITY DEVELOPMENT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

Federal Grantor/Program	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development		
Community Development Block Grant	14.218	$ 498,237

1. GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs administered by the Town of Huntington Community Development Agency (Agency), which is described in Note 2 to the Agency's accompanying financial statements, using the modified accrual basis of accounting. Because the schedule presents only of the operation of the Town of Huntington Community Development Agency, it is not intended to and does not present the expenditures of federal awards of the Town of Huntington. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through other government agencies. The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Matching costs (the Agency's share of program costs) are not included in the reported expenditures.

Expenditures are recognized following cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through numbers are presented where available.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the Agency's financial reporting system.

2. SUBRECIPIENTS

Of the federal expenditures in the schedule, the Agency provided federal awards to subrecipients as follows:

Program Title	Federal CFDA No.	Amount Provided to Subrecipients
Community Development Block Grant	14.218	$ 19,618

3. OTHER DISCLOSURES

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the Agency's casualty insurance policies.

There were no loans or loan guarantees outstanding at year end.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFOMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Town Board Members
Town of Huntington Community Development Agency
Huntington, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Town of Huntington Community Development Agency (Agency), a component unit of the Town of Huntington, New York as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated March 25, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

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provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. According, this communication is not suitable for any other purpose.

Cullen & Danowski, LLP

March 25, 2014

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

To the Town Board
Town of Huntington Community Development Agency
Huntington, New York

Report on Compliance for Each Major Federal Program

We have audited the Town of Huntington Community Development Agency's compliance with the types of compliance requirements described in OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Town of Huntington Community Development Agency's major federal programs for the year ended December 31, 2013. The Town of Huntington Community Development Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Huntington Community Development Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Huntington Community Development Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Huntington Community Development Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Huntington Community Development Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

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Report on Internal Control Over Compliance

Management of the Town of Huntington Community Development Agency is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Huntington Community Development Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program. and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Huntington Community Development Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify and deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Cullen & Danowski, LLP

March 25, 2014

TOWN OF HUNTINGTON COMMUNITY DEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

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1. **SUMMARY OF AUDITOR'S RESULTS**

   A. The auditor's report expresses an unmodified opinion on the financial statements.

   B. No significant deficiencies in internal control were disclosed by the audit of the financial statements.

   C. No instances of noncompliance material to the financial statements were disclosed during the audit.

   D. No significant deficiencies in internal control over major programs were disclosed by the audit.

   E. The auditor's report on compliance for the major programs expresses an unmodified opinion.

   F. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Part 3 of this Schedule.

   G. The program tested as a major program was:

   U.S. Department of Housing and Urban Development
   Community Development Block Grant CFDA No. 14.218

   H. The dollar threshold used to distinguish between Type A and B programs was $300,000.

   I. The Town of Huntington Community Development Agency qualified as a low-risk auditee.

2. **FINANCIAL STATEMENTS FINDINGS**

   There are no findings to be reported.

3. **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

   There are no findings or questioned costs to be reported.