

COMMUNITY DEVELOPMENT FUND
OF THE INCORPORATED VILLAGE OF ROCKVILLE CENTRE

REPORT ON AUDIT

FOR THE FISCAL YEAR ENDED MAY 31, 2014

COMMUNITY DEVELOPMENT FUND
OF THE INCORPORATED VILLAGE OF ROCKVILLE CENTRE
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INDEPENDENT AUDITOR'S REPORT

Mayor Francis X. Murray and Board of Trustees
The Incorporated Village of Rockville Centre
Rockville Centre, New York 11570

Report on the Financial Statements

We have audited the accompanying financial statements of the Community Development Fund, a special revenue fund of the Incorporated Village of Rockville Centre, as of and for the fiscal year ended May 31, 2014, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 above present fairly, in all material respects, the financial position of the Community Development Fund of the Incorporated Village of Rockville Centre, as of May 31, 2014, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis and schedule of funding progress that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Restriction on Use

This report is intended solely for the information and use of management, others within the Incorporated Village of Rockville Centre, and the County of Nassau and is not intended to be and should not be used by anyone other than these specified parties.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP

Islandia, NY 11749

August 13, 2014

COMMUNITY DEVELOPMENT FUND
OF THE INCORPORATED VILLAGE OF ROCKVILLE CENTRE
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
MAY 31, 2014

ASSETS

Cash	\$	59,538
Due from other governments		<u>13,747</u>
TOTAL ASSETS	\$	<u>73,285</u>

LIABILITIES

Accrued liabilities	\$	5,922
Due to other funds		<u>66,123</u>
TOTAL LIABILITIES		<u>72,045</u>

NET POSITION

Unrestricted		<u>1,240</u>
TOTAL NET POSITION		<u>1,240</u>
TOTAL NET POSITION AND LIABILITIES	\$	<u>73,285</u>

COMMUNITY DEVELOPMENT FUND
OF THE INCORPORATED VILLAGE OF ROCKVILLE CENTRE
STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED MAY 31, 2014

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
FUNCTIONS / PROGRAMS				
Home and community development	\$ (331,407)	\$ -	\$ 298,111	\$ (33,296)
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ (331,407)</u>	<u>\$ -</u>	<u>\$ 298,111</u>	<u>\$ (33,296)</u>
 GENERAL REVENUES				
Use of money and property				37
TRANSFER				
Transfer from the Incorporated Village of Rockville Centre				30,180
TOTAL GENERAL REVENUES AND TRANSFERS				<u>30,217</u>
 CHANGE IN NET POSITION				(3,079)
 TOTAL NET POSITION - BEGINNING OF YEAR				<u>4,319</u>
 TOTAL NET POSITION - END OF YEAR				<u>\$ 1,240</u>

**COMMUNITY DEVELOPMENT FUND
OF THE INCORPORATED VILLAGE OF ROCKVILLE CENTRE
BALANCE SHEET
MAY 31, 2014**

ASSETS

Cash and cash equivalents	\$ 59,538
Due from other governments	<u>13,747</u>

TOTAL ASSETS	<u>\$ 73,285</u>
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LIABILITIES AND FUND BALANCE

Accrued liabilities	\$ 5,922
Due to other funds	<u>66,123</u>

TOTAL LIABILITIES	<u>72,045</u>
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FUND BALANCE

Assigned	<u>1,240</u>
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TOTAL FUND BALANCE	<u>1,240</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 73,285</u>
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**COMMUNITY DEVELOPMENT FUND
OF THE INCORPORATED VILLAGE OF ROCKVILLE CENTRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE
FOR THE FISCAL YEAR ENDED MAY 31, 2014**

REVENUES	
Departmental income	\$ 30,180
Use of money and property	37
Federal aid	298,111
TOTAL REVENUES	<u>328,328</u>
EXPENDITURES	
Home and community service	331,407
TOTAL EXPENDITURES	<u>331,407</u>
NET CHANGE IN FUND BALANCE	(3,079)
FUND BALANCE - BEGINNING OF YEAR	<u>4,319</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 1,240</u></u>

**COMMUNITY DEVELOPMENT FUND
OF THE INCORPORATED VILLAGE OF ROCKVILLE CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MAY 31, 2014**

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

A) General Statement

The Community Development Fund is a special revenue fund in the Incorporated Village of Rockville Centre (the “Village”). The Village was incorporated pursuant to an act of the New York State Legislature in July 1893. The Village operates under a Board of Trustees form of government in accordance with New York State Village Law and the various other applicable laws of the State of New York. The Village Board of Trustees is the legislative body responsible for overall operation. The Village provides the following services to its residents: public safety, health, transportation, economic opportunity and development, culture and recreation, home and community services and general administrative support.

B) Basis of Presentation:

The accounting and reporting policies relating to the Community Development Fund included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments except management’s discussion and analysis has not been presented. Generally accepted accounting principles (GAAP) for local governments include those principles prescribed by the Governmental Accounting Standard Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Government Units* and by the Financial Accounting Standards Board (when applicable). The GASB is the accepted standard setting body for establishing governmental accounting and reporting principles.

In accordance with GASB Statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments,” the basic financial statements include both government-wide financial statements and fund financial statements.

i) Government-Wide Financial Statements:

Governmental activities present financial information about the Community Development Fund governmental activities on the accrual basis of accounting. These statements have only a single governmental activity. Governmental activities generally are financed through intergovernmental revenues (federal aid), and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The Statement of Activities presents a comparison between program expenses and revenues for each function of the Community Development Fund’s governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues and transfers in.

**COMMUNITY DEVELOPMENT FUND
OF THE INCORPORATED VILLAGE OF ROCKVILLE CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MAY 31, 2014**

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued):

ii) Fund Financial Statements:

The fund financial statements are presented on the modified accrual basis of accounting. The accounts of the Community Development Fund are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts, which comprise its assets, liabilities, fund balances/net assets, revenues and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, or limitations.

The Community Development Fund is a special revenue fund and is a major fund. Its principal sources of revenues are the Community Development Block Grant received from the United States Department of Housing and Urban Development.

Special revenue funds are established to account for the proceeds of specified revenue sources that are legally restricted to expenditures for certain defined purposes.

C) Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual method of accounting revenues are recognized when measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A 60-day availability period is used for recognition of governmental fund revenues.

The revenues susceptible to accrual are grant revenues and intergovernmental revenues. All other Community Development Fund revenues are recognized when received. Expenditures are recorded when the related fund liability is incurred.

**COMMUNITY DEVELOPMENT FUND
OF THE INCORPORATED VILLAGE OF ROCKVILLE CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MAY 31, 2014**

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued):

D) Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E) Cash and Cash Equivalents:

Cash and cash equivalents consist of cash on hand, bank deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. 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 the State and its municipalities.

F) Deferred Outflows/Inflows of Revenues:

In addition to assets and liabilities, the Statement of Net Position will sometimes report a separate section for deferred outflows and inflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an inflow or outflow of resources (expense and/or revenue) until then. The Community Development Fund did not have any items qualifying for reporting in this category.

G) Receivables:

Receivables include amounts due from other governments and individuals for services provided by the Community Development Fund. Receivables are recorded and revenues recognized as earned or as specific program expenditures/expenses are incurred. Allowances are recorded when appropriate.

H) Interfund Transactions:

The operations of the Community Development Fund include transactions between the Community Development Fund and other funds of the Village. These transactions may be temporary in nature, such as with interfund borrowings. The Community Development Fund typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

**COMMUNITY DEVELOPMENT FUND
OF THE INCORPORATED VILLAGE OF ROCKVILLE CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MAY 31, 2014**

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued):

I) Equity Classifications:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

i. Government-Wide Financial Statements

In the Government-Wide Financial Statements, there are three 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, constructions or improvements of those assets.

Restricted net position - reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - reports all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the Community Development Fund.

ii. Fund Financial Statements:

The Community Development Fund has adopted GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" (GASB 54) which redefines how fund balances of the governmental funds are presented in the financial statements. There are five classifications of fund balance as detailed below; however, in the Fund Financial Statements there is one classifications of fund balance presented:

- (1) Assigned fund balance – Includes amounts that are constrained by the Community Development Fund's intent to be used for specific purposes, but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the Community Development Fund management through Board policies. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund. The Community Development Fund has classified the following as assigned:

**COMMUNITY DEVELOPMENT FUND
OF THE INCORPORATED VILLAGE OF ROCKVILLE CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MAY 31, 2014**

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued):

<u>Assigned for:</u>	<u>Community Development</u>	<u>Total</u>
Home and community	\$ 1,240	\$ 1,240
Total	<u>\$ 1,240</u>	<u>\$ 1,240</u>

Order of Use of Fund Balance

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves), the expenditure incurred in unrestricted fund balances shall be applied first to restricted fund balance, then assigned fund balance to the extent there is an assignment and then to the unassigned balance.

J) Adoption of New Accounting Standards

The Community Development Fund has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At May 31, 2014, the Community Development Fund implemented the following new standard issued by GASB:

GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for financial statements for periods beginning after December 15, 2012.

GASB has issued Statement No. 66, *GASB Technical Corrections – 2012 – an Amendment of Statement 10 and 62*, effective for financial statements for periods beginning after December 15, 2012.

K) Future Changes in Accounting Standards

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*, which has been amended to GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective for fiscal years beginning after June 15, 2014.

GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for periods beginning after December 15, 2013.

GASB has issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for periods beginning after June 15, 2013.

The Community Development Fund will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

**COMMUNITY DEVELOPMENT FUND
OF THE INCORPORATED VILLAGE OF ROCKVILLE CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MAY 31, 2014**

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND FINANCIAL STATEMENTS AND GOVERNMENT-WIDE FINANCIAL STATEMENTS:

Due to the differences in the measurement focus and basis of accounting used in the Fund Statements and the Government-Wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences, if any, result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

(A) Total fund balances of governmental funds vs. net position of governmental activities:

Total fund balance of the Community Development Fund's governmental fund could differ from "net position" of governmental activities reported in the Statement of Net Position. The difference primarily results from additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

(B) Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities:

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities fall into one of the three broad categories. The amounts shown below represent:

i) Long-term revenue and expense differences:

Long-term revenue differences arise because governmental fund report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accruals basis, whereas the accrual basis of accounting is used on the Statement of Activities.

ii) Capital related differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

iii) Long-term debt transaction differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

**COMMUNITY DEVELOPMENT FUND
OF THE INCORPORATED VILLAGE OF ROCKVILLE CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MAY 31, 2014**

NOTE 3 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

The Community Development Fund's investment policies are governed by state statutes. In addition, the Community Development Fund is required to have its own written investment policy. Community Development Fund monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The Treasurer is authorized to use demand accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities.

Custodial credit risk is the risk that in the event of a bank failure, the Community Development Fund's deposits may not be returned to it. While the Community Development Fund does not have a specific policy for custodial credit risk, New York State statutes govern the Community Development Fund's investment policies, as discussed previously in these Notes.

None of the Community Development Fund's aggregate bank balances, not covered by depository insurance, were exposed to custodial credit risk as described above at year end.

NOTE 4 – PENSION PLANS (Continued):

A) General information:

The Incorporated Village of Rockville Centre participates in the New York State and Local Employees' Retirement System (ERS) (the "System"). This is a cost-sharing multiple employer public employee retirement system. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System.

B) Provisions and administration:

The System provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute, and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Governor Alfred E. Smith State Office Building, Albany, New York, 12244.

C) Funding Policy:

The Systems are noncontributory, except for employees who joined the Systems after July 27, 1976, who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall be used in computing the contributions required to be made by employers to the pension accumulated fund.

The Community Development Fund is required to contribute at an actuarially determined rate. The Community Development Fund contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years for the Community Development Fund were as follows:

**COMMUNITY DEVELOPMENT FUND
OF THE INCORPORATED VILLAGE OF ROCKVILLE CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MAY 31, 2014**

NOTE 4 – PENSION PLANS (Continued):

	ERS
2014	\$ 6,081
2013	\$ (4,145) *
2012	\$ 9,045

* The Community Development Fund was not required to make a contribution for the year ended 2013 due to a carry-over credit from the fiscal year 2012.

NOTE 5 – RISK MANAGEMENT:

A) General:

The Community Development Fund is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks in excess of self-insured amounts. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 6 – COMMITMENTS AND CONTINGENCIES:

A) Grants:

The Community Development Fund has received grants, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the Community Development Fund's administration believes disallowances, if any, will be immaterial.

B) Litigation:

The Community Development Fund is involved in lawsuits arising from the normal conduct of its affairs. Some of these lawsuits seek damages which may be in excess of the Community Development Fund's insurance coverage. However, it is not possible to determine the Community Development Fund's potential exposure, if any, at this time.