

**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS**  
**AS OF MAY 31, 2015**  
**TOGETHER WITH AUDITOR'S REPORT**

**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
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**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of the  
Incorporated Village of Hempstead  
Community Development Agency:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, its major fund, and the fiduciary fund of the Incorporated Village of Hempstead Community Development Agency (the "Agency"), a component unit of the Incorporated Village of Hempstead, New York, as of and for the year ended May 31, 2015, 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.

# NawrockiSmith

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund and the fiduciary fund of the Incorporated Village of Hempstead Community Development Agency, as of May 31, 2015, and the respective changes in financial position thereof for the year then ended in conformity 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 required that the management's discussion and analysis on pages 3 through 10 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 ("GASB"), which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. 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 also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2015, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Melville, New York  
August 3, 2015



**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED MAY 31, 2015**

The following is a discussion and analysis of the Incorporated Village of Hempstead Community Development Agency's (the "Agency") financial performance for the fiscal year ended May 31, 2015. 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 immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- As of May 31, 2015, the Agency reflected total assets and deferred outflows of \$1,209,894, total liabilities and deferred inflows of \$1,530,043 and a net deficit position of \$320,149 in the Agency-wide financial statements.
- Total operating revenues for the year ended May 31, 2015 were \$844,576 and total operating expenses were \$665,271 resulting in an operating gain of \$179,305.
- As of May 31, 2015, the Agency had an amount due to the Incorporated Village of Hempstead (the "Village") of \$1,240,896. The amount owed to the Village reflects monies borrowed to pay outstanding debt and an amount owed to Nassau County reflecting past due taxes on a Municipal Tax Collection Agreement dated October 17, 2006 that the Village paid on behalf of the Agency during the year ending May 31, 2015.
- Governmental fund fund balance and Agency-wide net position was restated as of May 31, 2014, by \$71,315 to reflect adjustments to prior year accounts payable balances that were forgiven during the year ended May 31, 2015 (see Note 12).

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts: management's discussion and analysis (this section) and the financial statements. The financial statements include two kinds of financial statements that present different views of the Agency:

- The first two financial statements are *Agency-wide financial statements* that provide both *short-term* and *long-term* information about the Agency's *overall* financial status.
- The remaining financial statements are *fund financial statements* that focus on *individual parts* of the Agency, reporting the Agency's operations in *more detail* than the Agency-wide financial statements.
  - *Fiduciary fund* financial statements provide information about the financial relationships in which the Village acts solely as a *trustee* or *agent* for the benefit of others.
- The *fund financial statements* tell how programs were financed in the *short-term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Table A-1 summarizes the major features of the Agency's financial statements, including the portion of the Agency's activities 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 financial statements.

<b>Table A-1: Major Features of the Village-Wide and Fund Financial Statements</b>			
	Agency-Wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire Village (except fiduciary funds)	The activities of the Agency that are not fiduciary	Instances in which the Agency administers resources on behalf of someone else
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities and Change in Net Position</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Change in Fund Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), and liabilities, and deferred inflows of resources (if any), both short-term and long-term; funds do not currently 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 or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid.

### **Agency-Wide Financial Statements**

The Agency-wide financial 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 and Change in Net Position regardless of when cash is received or paid.

The two Agency-wide financial statements report the Agency's net position and how they have changed. Net position, the difference between the Agency's assets, deferred outflows of resources, liabilities and deferred inflows of resources - is one way to measure the Agency's financial health or *position*.

- Over time, increases or decreases in the Agency's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Agency's overall health, you need to consider additional non-financial factors such as availability of federal funding, the condition of equipment and other assets.

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 to manage money for particular purposes or to show that it is properly using certain revenues (such as Federal grants).

The Agency utilizes the following fund type:

- Governmental funds: All 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 fund financial statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. Because this information does not encompass the additional long-term focus of the Agency-wide financial statements, reconciliations of the Agency-wide and fund financial statements are provided which explain the relationship (or differences) between them.
- Fiduciary fund: The Agency is 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.

### **FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE**

The Agency's net position increased by 35.9% from the year before, as restated, to a deficit of \$320,149 as detailed in Tables A-2 and A-3.

	<u>5/31/15</u>	<u>5/31/14</u> <u>As Restated</u>	<u>\$ Change</u>	<u>% Change</u>
Current and other assets	\$ 741,194	\$ 715,780	\$ 25,414	3.6
Capital assets, net	468,700	497,026	(28,326)	(5.7)
Total assets	1,209,894	1,212,806	(2,912)	(0.2)
Deferred outflows	-	806,223	(806,223)	(100.0)
Total assets and deferred outflows	<u>\$ 1,209,894</u>	<u>\$ 2,019,029</u>	<u>\$ (809,135)</u>	(40.1)

**Table A-2: Condensed Statements of Net Position - Governmental Activities (cont'd)**

	<u>5/31/15</u>	<u>5/31/14</u> <u>As Restated</u>	<u>\$ Change</u>	<u>% Change</u>
Current liabilities, as restated	\$ 1,500,043	\$ 1,379,261	\$ 120,782	8.8
Noncurrent liabilities	-	22,465	(22,465)	(100.0)
Total liabilities, as restated	1,500,043	1,401,726	98,317	7.0
Deferred inflows	30,000	1,116,757	(1,086,757)	(97.3)
Total liabilities and deferred inflows	<u>\$ 1,530,043</u>	<u>\$ 2,518,483</u>	<u>\$ (988,440)</u>	(39.2)
Net position:				
Net investment in capital assets,	\$ 319,009	\$ 235,295	\$ 83,714	35.6
Unrestricted (deficit), as restated	(639,158)	(734,749)	95,591	13.0
Total net position (deficit), as restated	<u>\$ (320,149)</u>	<u>\$ (499,454)</u>	<u>\$ 179,305</u>	35.9

**Changes in Net Position**

The Agency's fiscal year 2015 revenues totaled \$844,576, which is lower than fiscal year 2014 (see Table A-3). Operating grants and charges for services accounted for 74.5% of total revenues (see Table A-4). The remainder came from use of money and property and sale of property and compensation for loss and miscellaneous sources.

- Operating grants decreased by 8.6%. This decrease is due to less reimbursement of prior years' claims whose vouchers were sent during the current fiscal year.

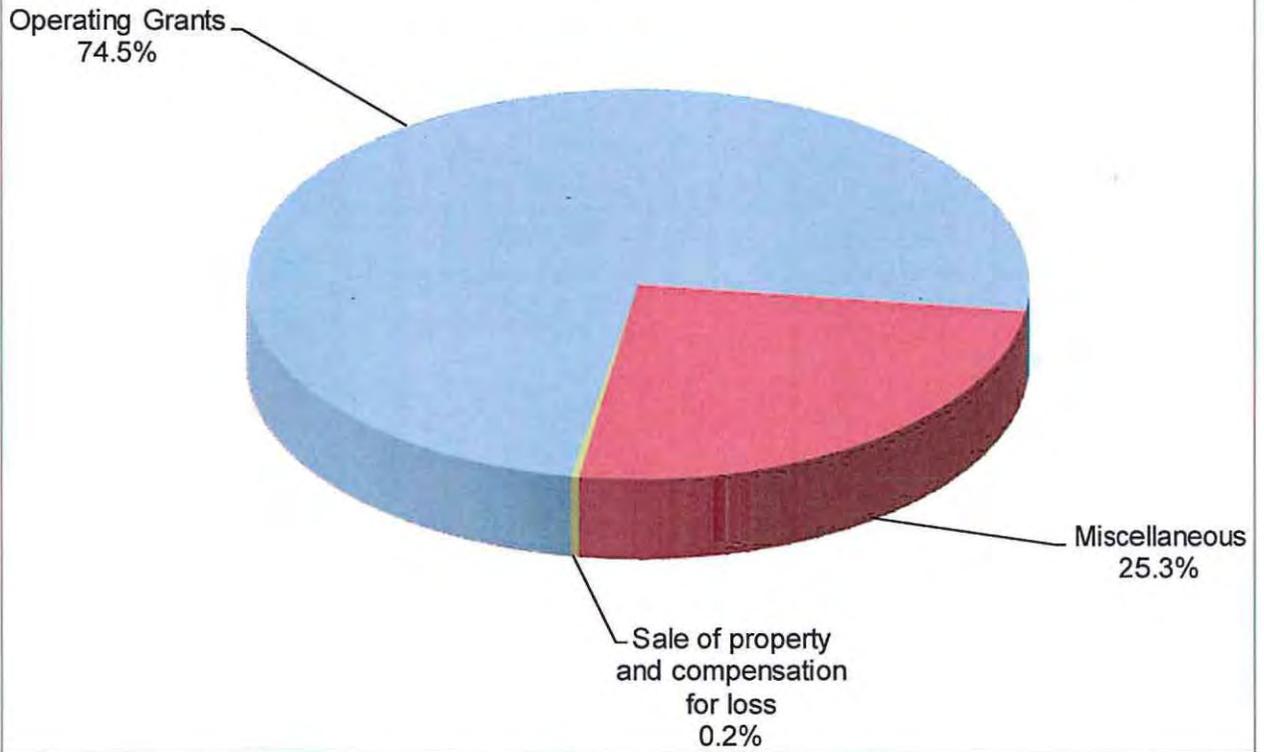
The Agency's fiscal year 2015 expenses totaled \$665,271, which is significantly lower than fiscal year 2014 (see Table A-3). These expenses (98.9%) are predominately related to community development (see Table A-6).

- Community development related expenses decreased by 15.1%. The overall expense decrease was due to prior year's misallocation of funds and/or the existence of duplicate claims for payment/reimbursement which led to disallowed, non-CDBG expenses.

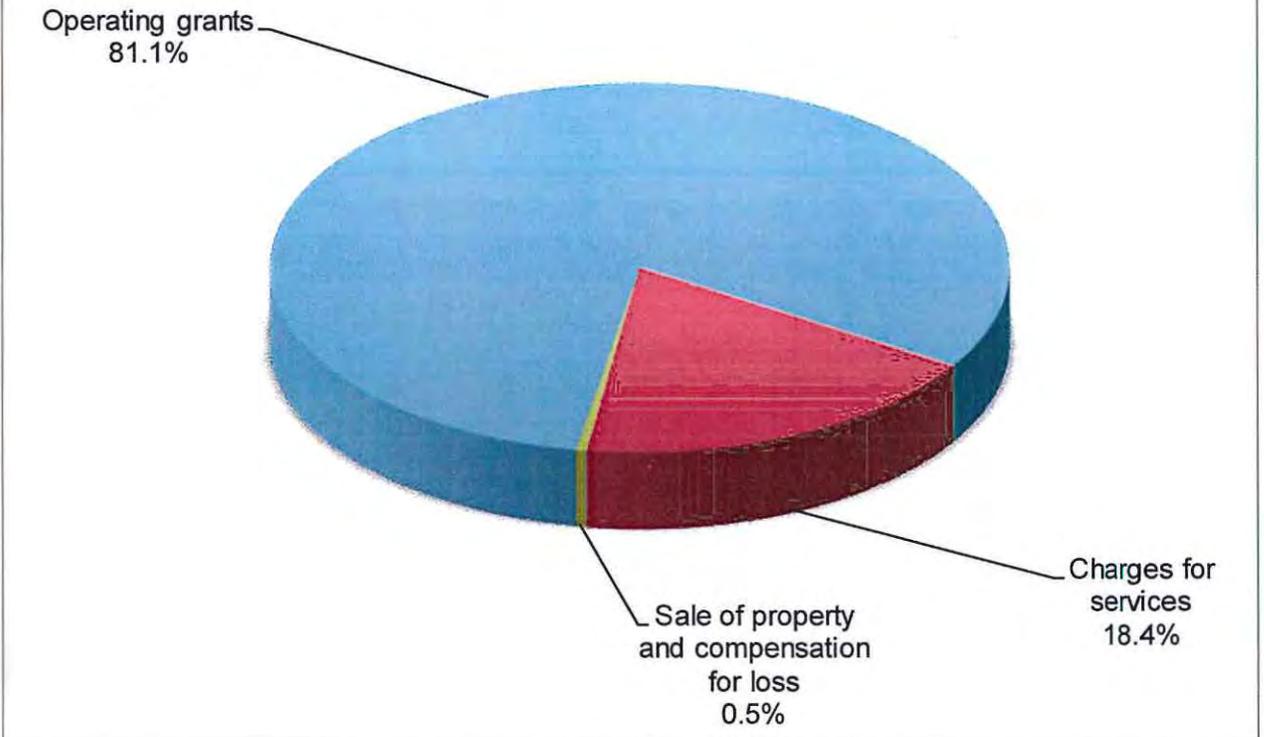
**Table A-3: Changes in Net Position from Operating Results - Governmental Activities Only**

	<u>5/31/15</u>	<u>5/31/14</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Revenues</b>				
Program revenues:				
Charges for services	\$ -	\$ 155,997	\$ (155,997)	(100.0)
Operating grants	628,972	688,157	(59,185)	(8.6)
General revenues:				
Use of money and property	70	101	(31)	(30.7)
Sale of property and compensation for loss	2,275	4,000	(1,725)	(43.1)
Miscellaneous	213,259	-	213,259	100.0
Total revenues	<u>844,576</u>	<u>848,255</u>	<u>(3,679)</u>	(0.4)
<b>Expenses</b>				
Community development	657,787	774,754	(116,967)	(15.1)
Debt service - interest	7,484	15,241	(7,757)	(50.9)
Total expenses	<u>665,271</u>	<u>789,995</u>	<u>(124,724)</u>	(15.8)
Increase (decrease) in net position	<u>\$ 179,305</u>	<u>\$ 58,260</u>	<u>\$ 121,045</u>	207.8

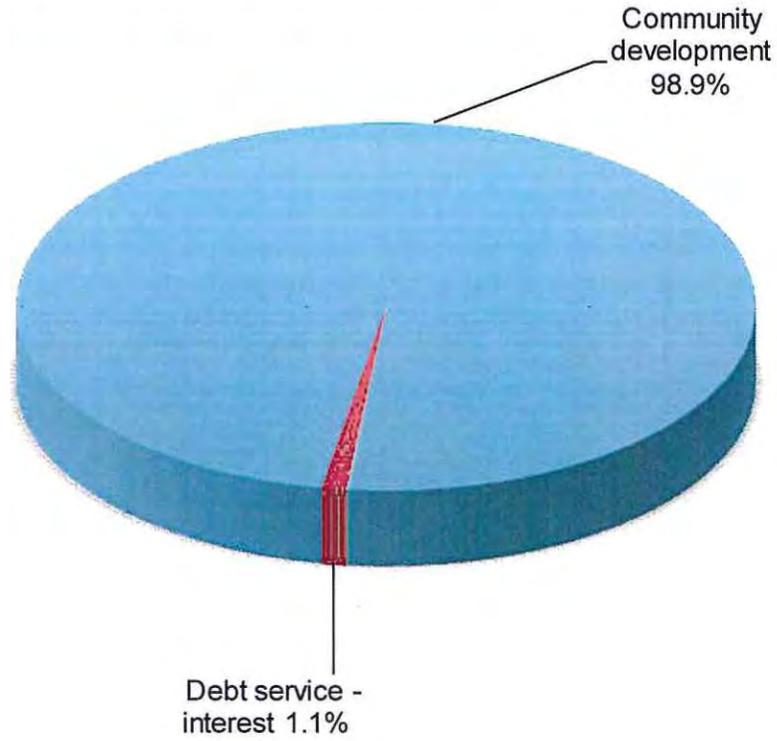
**Table A-4: Sources of Revenues for Fiscal Year 2015**



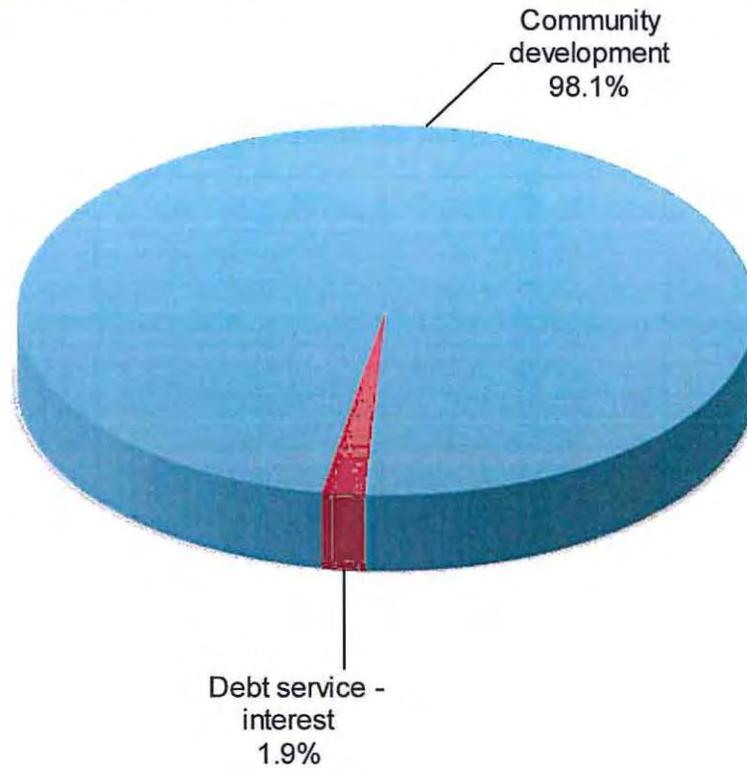
**Table A-5: Sources of Revenues for Fiscal Year 2014**



**Table A-6: Expenses for Fiscal Year 2015**



**Table A-7: Expenses for Fiscal Year 2014**



## **Governmental Activities**

Revenues for the Agency's governmental fund were consistent with the Agency-wide operating results. Governmental expenditures are less than Agency-wide expenditures due principally to depreciation expense offset by long-term debt payments categorized as reductions of debt, not expenses.

The primary program activities of the Agency relate to community development.

Substantially all of the Agency's revenues are generated through the Community Development Block Grants Program which is established by the U.S. Department of Housing and Urban Development ("HUD"), as administered by the Nassau County Office of Community Development ("Nassau County").

## **FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS**

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

The Agency's fund financial statements show the following variations year over year:

- Total assets and deferred outflows decreased from \$1,222,003, in 2014 to \$441,194, in 2015. This is a result of various commercial and residential loans that were deemed uncollectible at May 31, 2015.
- Total liabilities and deferred inflows decreased from \$2,328,067 in 2014 to \$1,572,852 in 2015. This decrease is primarily due to the writing off of commercial and residential loans that were deemed uncollectible at May 31, 2015.

No other significant variances are reflected in the fund financial statements for fiscal 2015.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

By the end of 2015, the Agency had invested \$468,700, net of depreciation, in a broad range of capital assets.

	<u>5/31/15</u>	<u>5/31/14</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 402,341	\$ 402,341	\$ -	0.0
Equipment	66,359	94,685	(28,326)	(29.9)
Totals	<u>\$ 468,700</u>	<u>\$ 497,026</u>	<u>\$ (28,326)</u>	<u>(5.7)</u>

### **Long-Term Debt**

By the end of 2015, the Agency had long-term debt associated with the financing of capital assets in the amount of \$149,691. The Agency is in negotiations to re-finance the note payable in the upcoming fiscal year. However, as of the report date this whole amount is considered short-term.

**Table A-9: Outstanding Long-Term Debt**

	<u>5/31/15</u>	<u>5/31/14</u>	<u>\$ Change</u>	<u>% Change</u>
Capital lease payable	\$ 22,465	\$ 59,927	\$ (37,462)	(62.5)
Note payable	127,226	201,804	(74,578)	(37.0)
Totals	<u>\$ 149,691</u>	<u>\$ 261,731</u>	<u>\$ (112,040)</u>	(42.8)

### **FACTORS BEARING ON THE FUTURE OF THE AGENCY**

At the time these financial statements were prepared and audited, the Agency was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The Agency was a conduit for a \$10 million loan under the HUD Section 108 loan guarantee program. This loan was advanced to a nonprofit organization to acquire and rehabilitate the building located at 100 Main Street in the Incorporated Village of Hempstead. A loan repayment guarantee agreement of \$588,000 per annum was executed by the previous administration. The borrower has defaulted on this loan and a foreclosure action is pending. The Agency is negotiating its obligations under this agreement which would be contingent upon the final sale of the underlying asset.
- The Agency's unrestricted net position significantly decreased during the last two fiscal years and continues to be in a net deficit position. This position is not sufficient to cover any foreseeable shortfall rising from a possible economic downturn and/or a reduction in subsidies and grants. The Agency may also experience significant cash flow issues in the foreseeable future due to the nature of its operations. Since the Incorporated Village of Hempstead is financially accountable for the Agency, a going concern uncertainty does not exist.
- The Agency operates in a heavily regulated environment. The operations of the Agency are subject to the administrative directives, rules and regulations of Federal, State, and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related costs, including the additional administrative burden to, comply with change.

### **CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

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

Incorporated Village of Hempstead  
Community Development Agency  
50 Clinton Street  
Hempstead, New York 11550  
(516) 485-5737

**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
**STATEMENT OF NET POSITION (DEFICIT)**  
**MAY 31, 2015**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 191,397
Receivables -	
State and federal aid	55,394
Property held for resale	<u>194,403</u>
Total current assets	441,194
Noncurrent assets:	
Non-depreciable capital assets	402,341
Depreciable capital assets, net of accumulated depreciation of \$118,776	66,359
Property held for resale	<u>300,000</u>
Total assets	<u>\$ 1,209,894</u>

**LIABILITIES**

Current liabilities:	
Accounts payable	\$ 107,553
Due to other governments	1,240,896
Long-term liabilities, due within one year:	
Compensated absences	1,903
Capital lease payable	22,465
Note payable	<u>127,226</u>
Total current liabilities	<u>1,500,043</u>

**DEFERRED INFLOWS**

Deferred inflows	<u>30,000</u>
Total deferred inflows	<u>30,000</u>
Total liabilities and deferred inflows	<u>1,530,043</u>

**NET POSITION**

Net investment in capital assets	319,009
Unrestricted (deficit)	<u>(639,158)</u>
Total net position (deficit)	<u>(320,149)</u>
Total liabilities, deferred inflows and net position	<u>\$ 1,209,894</u>

The accompanying notes to financial statements are an integral part of this statement.

**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION (DEFICIT)**  
**FOR THE YEAR ENDED MAY 31, 2015**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u> <u>Revenue and</u> <u>Change in</u> <u>Net Position</u>
		<u>Charges</u> <u>for Services</u>	<u>Operating</u> <u>Grants</u>	
Functions and programs:				
Community development	\$ 657,787	\$ -	\$ 628,972	\$ (28,815)
Debt service - interest	7,484	-	-	(7,484)
Total functions and programs	<u>\$ 665,271</u>	<u>\$ -</u>	<u>\$ 628,972</u>	<u>(36,299)</u>
General revenues:				
Use of money and property				70
Sale of property and compensation for loss				2,275
Miscellaneous revenues				<u>213,259</u>
Total general revenues				<u>215,604</u>
Change in net position				179,305
Total net position (deficit), beginning of year, as restated (see Note 12)				<u>(499,454)</u>
Total net position (deficit), end of year				<u>\$ (320,149)</u>

The accompanying notes to financial statements are an  
integral part of this statement.

**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
**BALANCE SHEET - GOVERNMENTAL FUND**  
**MAY 31, 2015**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 191,397
Receivables -	
State and federal aid	55,394
Property held for resale	<u>194,403</u>
 Total assets	 <u><u>\$ 441,194</u></u>

**LIABILITIES**

Current liabilities:	
Accounts payable	\$ 107,553
Due to other governments	<u>1,240,896</u>
 Total liabilities	 <u>1,348,449</u>

**DEFERRED INFLOWS**

Deferred inflows from property held for resale	194,403
Deferred inflows from other local sources	<u>30,000</u>
 Total deferred inflows	 <u>224,403</u>
 Total liabilities and deferred inflows	 <u>1,572,852</u>

**FUND DEFICIT**

Fund deficit:	
Unassigned	<u>(1,131,658)</u>
 Total fund deficit	 <u>(1,131,658)</u>
 Total liabilities, deferred inflows and fund deficit	 <u><u>\$ 441,194</u></u>

The accompanying notes to financial statements are an  
integral part of this statement.

**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION (DEFICIT)**  
**MAY 31, 2015**

Total Fund Deficit - Governmental Fund \$ (1,131,658)

Amounts reported for governmental activities in the Statement of Net Position are different due to the following:

Capital assets less accumulated depreciation are included in the Statement of Net Position:

Capital assets:		
Non-depreciable	\$ 402,341	
Depreciable	185,135	
Accumulated depreciation	<u>(118,776)</u>	468,700

Long-term assets held for resale are not current financial resources and therefore are not represented in the fund financial statements.	300,000
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Because some revenues will not be collected for several months after the Agency's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are instead counted as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.	194,403
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Long-term liabilities applicable to the Agency's governmental activities are not due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position:		
Compensated absences	(1,903)	
Capital lease payable	(22,465)	
Note payable	<u>(127,226)</u>	<u>(151,594)</u>

Net Position - Governmental Activities	<u>\$ (320,149)</u>
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The accompanying notes to financial statements are an integral part of this statement.

**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGE IN FUND DEFICIT - GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED MAY 31, 2015**

**REVENUES**

Federal aid	\$ 628,972
Use of money and property	70
Sale of property and compensation for loss	2,275
Miscellaneous revenues	<u>18,856</u>
Total revenues	<u>650,173</u>

**EXPENDITURES**

Community development -	
Public facilities and improvements	178,338
Code enforcement	103,125
Commercial rehabilitation	116,337
Public service	152,125
Administration	89,012
Economic development	3,505
Safe routes to school	51,988
Acquisition	37,890
Scattered sites	<u>14,762</u>
Total expenditures	<u>747,082</u>
Change in fund deficit	(96,909)
Fund deficit, beginning of year, as restated (see Note 12)	<u>(1,034,749)</u>
Fund deficit, end of year	<u>\$ (1,131,658)</u>

The accompanying notes to financial statements are an  
integral part of this statement.

**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
**RECONCILIATION OF GOVERNMENTAL FUND STATEMENT**  
**OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE (DEFICIT) TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MAY 31, 2015**

Net Change in Fund Balance (Deficit) - Governmental Fund	\$	(96,909)
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Property that is held for sale that was donated to the Agency and is being recognized as an in-kind donation on the Statement of Net Position.		194,403
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount of depreciation in the current period is:

Depreciation expense		(28,326)
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The issuance of long-term debt provides current financial resources to a governmental fund, while the repayment of the principal of long-term debt consumes the financial resources of a governmental fund. Neither transaction has any effect on net position.

Repayment of capital lease payable principal	\$	37,462	
Repayment of note payable principal		74,578	112,040

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Compensated absences		(1,903)
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Change in Net Position - Governmental Activities	\$	179,305
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The accompanying notes to financial statements are an integral part of this statement.

**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**MAY 31, 2015**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 137,794</u>
<b>LIABILITIES</b>	
Other liabilities	<u>\$ 137,794</u>

The accompanying notes to financial statements are an  
integral part of this statement.

**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**

**1. BACKGROUND AND ORGANIZATION**

The Incorporated Village of Hempstead Community Development Agency (the "Agency") was established in 1964 as the Urban Renewal Agency of the Incorporated Village of Hempstead (the "Village") under the general laws of the State of New York and various local laws. The Agency is a public benefit corporation created by State legislation to promote the safety, health and welfare of the Village's inhabitants and to promote the sound growth and development of the Village. The Board of Directors is the legislative body responsible for overall operations. The Commissioner serves as the Chief Executive Officer and the Financial Officer.

The Agency provides a full range of community development services which include the rehabilitation of both the residential and commercial sectors of the Village, fostering economic growth, providing assistance to public service organizations, eliminating blight and improving opportunities for low and moderate income citizens.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Incorporated Village of Hempstead Community Development Agency have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial reporting entity

The Agency is a component unit of the Incorporated Village of Hempstead, the primary reporting entity, under the criteria set forth in GASB Pronouncements. The basic, but not the only criterion for inclusion in the Village's financial statements is that the Village is ultimately accountable for the legally separate Agency because it appoints the Board of Directors, the governing body of the Agency, and there is a potential for the Agency to provide specific financial benefits to, or impose financial burdens on the Village.

B. Basis of presentation

1. Agency-wide financial statements

The Statement of Net Position and the Statement of Activities present financial information about the Agency's governmental activities. These financial 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. Governmental activities generally are financed through Federal aid, State aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital specific.

The Statement of Activities and Change in Net Position presents a comparison between direct expenses and program revenues for the Agency'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 and depreciation expense, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and 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.

## 2. Fund financial statements

The fund financial statements provide information about the Agency's funds, including fiduciary funds. Separate financial statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds.

The Agency reports the following major governmental fund:

- a. Governmental fund - 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 fund is upon 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.

- b. Fiduciary funds - used to account for assets held by the local government in a trustee or custodial capacity:

Agency Fund - used to account for money (and/or property) received and held in the capacity of trustee, custodian or agent.

## C. Measurement focus and basis of accounting

Basis of accounting refers to when revenues and expenditures/expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

Modified accrual basis - the fund financial 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 fund 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, judgments and claims and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental fund. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Accrual basis - the Agency-wide and fiduciary fund 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. Nonexchange transactions, in which the Agency gives or receives value without directly receiving or giving equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Capital assets and long-term liabilities related to these activities are recorded within the funds.

D. Cash and cash equivalents

Cash consists of funds deposited in demand accounts, time deposit accounts and certificates of deposit with maturities of less than three months from the date acquired by the Agency.

E. Receivables

Receivables include amounts due from Federal, State and other governments or entities for services provided by the Agency. Receivables are recorded and revenues are recognized as earned or as specific program expenditures are incurred.

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

F. Capital assets

Capital assets are reported at actual cost or estimated historical costs. Where cost could not be determined from the available records, estimated historical cost was used to record the value of the assets. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the Agency-wide financial statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Equipment	\$ 5,000	Straight line	5 years
Vehicles	\$ 5,000	Straight line	5 years

G. Deferred outflows

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

H. Deferred inflows

Deferred inflows of resources are defined as an acquisition of net position by the government that is applicable to future periods. Deferred inflows are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred inflows also arise when the Agency receives resources before it has legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the Agency has legal claim to the resources, the deferred inflow is removed and revenues are recorded.

I. Compensated absences

Compensated absences consist of unpaid accumulated annual sick leave and vacation. Upon retirement, resignation or death, employees may receive a payment based on unused accumulated sick leave.

Agency employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Pronouncements, the liability has been calculated using the vesting/termination method and accrual for that liability is included in the Agency-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the fund financial statements, only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you-go basis.

J. Accrued liabilities and long-term obligations

Payables, accrued liabilities and long-term obligations are reported in the Agency-wide financial statements. In the governmental fund, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from the governmental fund, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year.

Long-term obligations represent the Agency's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

K. Net position

In the Agency-wide financial statements, there are three classes of net position:

1. 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

2. Restricted: consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
3. Unrestricted net position: is the amount of net position, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Fund financial statements:

In the fund financial statements, there are five classifications of fund balance:

1. Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The Agency has no nonspendable fund balances as of May 31, 2015.
2. Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The Agency has no restricted fund balances as of May 31, 2015.
3. Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, i.e. the Board. The Agency has no committed fund balances as of May 31, 2015.
4. Assigned - Includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. The Agency has no assigned fund balances as of May 31, 2015.
5. Unassigned - Includes all other General Fund fund balance that does not meet the definition of the above four classifications and are deemed to be available for general use by the Agency.

Order of use of fund balance

The Agency's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. In the General Fund, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

L. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas including compensated absences, potential contingent liabilities and useful lives of long-lived assets.

3. **EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND FINANCIAL STATEMENTS AND AGENCY-WIDE FINANCIAL STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the fund financial statements and the Agency-wide financial statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the fund financial statements.

A. **Total fund balance of governmental fund vs. net position of governmental activities**

The fund balance of the Agency's governmental fund differs from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheet.

B. **Statement of Revenues, Expenditures and Change in Fund Balance (Deficit) vs. Statement of Activities**

Differences between the governmental fund Statement of Revenues, Expenditures and Change in Fund Balance (Deficit) and the Statement of Activities may fall into one of the three broad categories. The categories are shown below:

1. **Long-term revenue/expense differences**

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

2. **Capital related differences**

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

3. **Long-term debt transaction differences**

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund financial 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.

4. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The Agency prepares budgets annually for its Community Development Block Grant Program. The Agency submits a tentative budget to the Agency's Board of Directors prior to submission to Nassau County. A public hearing is also held to discuss Community Development Block Grant programs prior to April 1st. The Agency then submits the budget in the form of an application to the Nassau County Office of Community Development ("Nassau County") for approval, subject to changes. The Agency's Board of Directors is authorized to enter into amendatory agreements with Nassau County for use of funds within the Block Grant categories.

The Community Development Block Grants program funding supports projects that begin September 1st each year. The expenditures for projects may extend over several fiscal years. A combined comparison of those budgets to actual revenues and expenditures is not considered meaningful and, therefore, has not been included in the accompanying financial statements.

**5. CASH AND CASH EQUIVALENTS - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS**

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

The Agency's aggregate bank balances disclosed in the financial statements were fully covered by depository insurance at year-end.

Credit risk: State law limits investments to those authorized by State statutes.

Interest-rate risk: Interest-rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. Accordingly, such investments would have to be held to maturity to avoid potential loss.

Concentration of credit risk: Credit risk can arise as a result of failure to adequately diversify investments. Concentration risk disclosure is required for positions of 5 percent or more in securities of a single issuer.

As of May 31, 2015, the Agency did not have any investments subject to credit risk, interest-rate risk, or concentration of credit risk.

**6. CAPITAL ASSETS**

Capital asset balances and activity for the year ended May 31, 2015 were as follows:

	Beginning Balance	Additions	Deletions/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 402,341	\$ -	\$ -	\$ 402,341
Total nondepreciable capital assets	402,341	-	-	402,341
Capital assets that are depreciated:				
Equipment	211,488	-	(26,353)	185,135
Total depreciable capital assets	211,488	-	(26,353)	185,135
Less accumulated depreciation:				
Equipment	116,803	28,326	(26,353)	118,776
Total accumulated depreciation	116,803	28,326	(26,353)	118,776
Total capital assets, net	\$ 497,026	\$ (28,326)	\$ -	\$ 468,700

Depreciation expense was charged to governmental functions as follows:

Community development	\$ 28,326
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**7. PROPERTY HELD FOR SALE**

Property donated to the Agency is currently held for development and resale as affordable housing. Property is valued at the real estate tax appraisal/date of deed transfer.

**8. LONG-TERM DEBT OBLIGATIONS**

Capital lease payable - the Agency has one capital lease obligation payable (entered into in fiscal 2011), associated with the financing of capital assets. The lease is noncancellable, expires in December 2015, requires monthly lease payments of \$3,247 and bears interest at 3.5% annually. As of May 31, 2015, \$22,465 was outstanding.

Note payable - the Agency has one note payable (entered into in fiscal 2012), associated with the financing of capital assets. The note is noncancellable, expires in November 2014 (when a balloon payment or refinancing is necessary), required monthly payments of \$1,916, bears interest at 6.0% annually. As of May 31, 2015, \$127,226 still remains outstanding.

The following is a summary of maturing debt service requirements:

Year Ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>May 31,</u> 2016	<u>\$ 149,691</u>	<u>\$ 1,249</u>	<u>\$ 150,940</u>

Principal and interest are reimbursable Community Development Block Grant expenditures, and accordingly are accounted for as reimbursable grant expenditures in the fund financial statements. In the Agency-wide financial statements, principal payments are accounted for as reductions of outstanding debt and interest is expensed.

**9. PENSION PLANS**

General information

The Agency participates in the New York State and Local Employees' Retirement System (the "System"). This is a cost-sharing, multiple-employer retirement system. The System offers a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

Provisions and administration

The System provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law ("NYSRSSL") 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 New York State Employees' Retirement System ("ERS"), Office of the State Comptroller, 110 State Street, Albany, New York 12244.

Obligations of employers and employees to contribute and benefits to employees are governed by the 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 custody and control of their funds.

Funding policy

The System is noncontributory for the employee, except for those who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% to 3.5% of their salary. With the exception of ERS tier V and VI employees, employees in the System more than ten years are no longer required to contribute. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. The required contributions of the Agency for the current year and two preceding years were:

2015	\$ 24,680
2014	48,393
2013	45,842

Chapter 49 of the Laws of 2003 of the State of New York was enacted which made the following changes to the System: (a) requires minimum contributions by employers of 4.5% of payroll every year, including years in which the investment performance would make a lower contribution possible and (b) changes the cycle of annual billing such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1 (i.e. billings due February 2015 would be based on the pension value as of March 31, 2014).

**10. COMMITMENTS AND CONTIGENCIES**

Government grants

The Agency has received significant federal funding which is subject to audit by agencies of the State and Federal governments. Such audits may result in disallowance and a request for a return of funds to the Federal and State governments.

Leases

On July 18, 2011, the Agency renewed their rental agreement for office space for an additional five years. This agreement expires on July 31, 2016 and provides for monthly rent payments starting at \$3,339 with 2% yearly increases. According to the agreement, the Agency is also responsible for an additional monthly charge of \$371 for electricity.

Future minimum rental payments under this lease is as follows:

Year Ending May 31,	
2016	\$ 47,681
2017	<u>7,970</u>
	<u>\$ 55,651</u>

Litigation

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

**11. NEW ACCOUNTING STANDARDS NOT YET IMPLEMENTED**

GASB has issued Statement 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, which is to improve accounting and financial reporting by State and local governments for pensions. The Agency is currently studying this Statement and plans on adoption when required, which will be for the 2016 financial statements.

**12. PRIOR PERIOD ADJUSTMENT**

Governmental fund fund balance and Agency-wide net position have been restated as of May 31, 2014, to give effect to the following:

	<u>Governmental Fund Fund Balance</u>	<u>Agency-wide Net Position</u>
Balance as of May 31, 2014, as reported	\$ (1,106,064)	\$ (570,769)
Less: adjustment to prior year forgiven accounts payable balances	<u>71,315</u>	<u>71,315</u>
Balance as of May 31, 2014, as restated	<u><u>\$ (1,034,749)</u></u>	<u><u>\$ (499,454)</u></u>

**13. SUBSEQUENT EVENTS**

The Agency has evaluated subsequent events through August 3, 2015, which is the date these financial statements were available to be issued, noting no matters requiring further financial statement disclosure.

**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED MAY 31, 2015**

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
<u>Passed-through Program From:</u>		
Nassau County Office of Housing and Intergovernmental Affairs: Community Development Block Grants/Entitlement Grants	14.218	\$ 628,972
Total U.S. Department of Housing and Urban Development		<u>628,972</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b><u>\$ 628,972</u></b>

The accompanying notes should be read  
in conjunction with this schedule.

**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**(1) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by the Incorporated Village of Hempstead Community Development Agency (the "Agency"), an entity as defined in Note 1 to the Agency's financial statements. Federal awards received directly from federal agencies, as well as federal awards passed-through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

**(2) Basis of Accounting**

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable program and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program. These records are periodically reconciled to the general ledger which is the source of the general purpose financial statements.

**(3) Indirect Costs**

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented.

**(4) Matching Costs**

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

**(5) Major Program Determination**

The Agency has determined that all Federal programs with expenditures of \$300,000 or more are Type A Programs, and deemed Major Programs for the purposes of the Schedule of Expenditures of Federal Awards.



**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors of the  
Incorporated Village of Hempstead Community Development Agency:

We have audited, in accordance with the 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, the financial statements of the governmental activities, its major fund and the fiduciary fund of the Incorporated Village of Hempstead Community Development Agency (the "Agency"), as of and for the year ended May 31, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated August 3, 2015.

***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 opinions 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.

# NawrockiSmith

## ***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 with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as items 15-01 through 15-03.

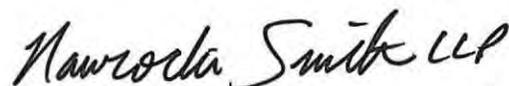
## ***Incorporated Village of Hempstead Community Development Agency's Response to Findings***

The Agency's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## ***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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Melville, New York  
August 3, 2015





**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR ITS MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors of the  
Incorporated Village of Hempstead Community Development Agency:

***Report on Compliance for Its Major Federal Program***

We have audited the Incorporated Village of Hempstead Community Development Agency's (the "Agency") compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on the Agency's major federal program for the year ended May 31, 2015. The Agency's major federal program is 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 the Agency's major federal program 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 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 the major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended May 31, 2015.

# NawrockiSmith

## ***Other Matters***

The results of our auditing procedures disclosed other matters, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 15-01 through 15-03. Our opinion on each major federal program is not modified with respect to these matters.

The Agency's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## ***Report on Internal Control Over Compliance***

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the 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 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 a 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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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.

**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED MAY 31, 2015**

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

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. No deficiencies or material weaknesses were disclosed during the audit of the financial statements.
3. Two instances of noncompliance were disclosed during the audit.
4. No deficiencies or material weaknesses were disclosed during the audit of the major federal award program.
5. The auditor's report on compliance for the major federal award program expresses an unmodified opinion.
6. Two audit findings relative to the major federal award program that are required to be reported in accordance with section 510(a) of OMB Circular A-133, were disclosed during the audit.
7. The program tested as a major program included:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.218	U.S. Department of Housing and Urban Development - Community Development Block Grants/Entitlement Grants

8. The threshold for distinguishing between Types A and B programs was \$300,000.
9. Auditee was determined not to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

Finding: 15-01

Criteria: We considered the Agency's procedures for accounting and reconciling of accounts receivable.

Condition: The Agency did not have adequate procedures in place for the accounting and reconciling of accounts receivable.

Effect: The Agency did not reconcile their accounts receivable accounts.

Cause: There was a lack of procedures for the accounting and reconciling of accounts receivable.

Recommendation: The Agency should develop and implement adequate procedures for the accounting and reconciling of accounts receivables.

Response: The Agency is in agreement with this finding and will ensure adequate procedures for the accounting and reconciling of receivables are placed into operation.

Finding: 15-02

Criteria: We considered the Agency's internal control over fixed assets.

**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**FOR THE YEAR ENDED MAY 31, 2015**

Condition: The Agency does not have a third party come in and perform an appraisal of the value of the Agency's fixed assets.

Effect: The Agency could improperly record the value of fixed assets.

Cause: The Agency does not have an independent third party appraisal for its fixed assets.

Recommendation: We recommend that fixed asset supporting schedules be maintained on a current basis and be periodically reconciled to third party appraisals and annual activities. In this manner, fixed asset financial data may be more accurate and internal control over fixed assets may be enhanced.

Response: The Agency is in agreement with this finding and will proceed with acquiring and Fixed Asset Appraisal Valuation this fiscal year.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM**  
**AUDIT**

Finding: 15-01

Criteria: We considered the Agency's procedures for accounting and reconciling of accounts receivable.

Condition: The Agency did not have adequate procedures in place for the accounting and reconciling of accounts receivable.

Effect: The Agency did not reconcile their accounts receivable accounts.

Cause: There was a lack of procedures for the accounting and reconciling of accounts receivable.

Recommendation: The Agency should develop and implement adequate procedures for the accounting and reconciling of accounts receivables.

Response: The Agency is in agreement with this finding and will ensure adequate procedures for the accounting and reconciling of receivables are placed into operation.

Finding: 15-02

Criteria: We considered the Agency's internal control over fixed assets.

Condition: The Agency does not have a third party come in and perform an appraisal of the value of the Agency's fixed assets.

Effect: The Agency could improperly record the value of fixed assets.

Cause: The Agency does not have an independent third party appraisal for its fixed assets.

Recommendation: We recommend that fixed asset supporting schedules be maintained on a current basis and be periodically reconciled to third party appraisals and annual activities. In this manner, fixed asset financial data may be more accurate and internal control over fixed assets may be enhanced.

Response: The Agency is in agreement with this finding and will proceed with acquiring and Fixed Asset Appraisal Valuation this fiscal year.

**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED MAY 31, 2015**

**FINDINGS - FINANCIAL STATEMENT AUDIT**

- 14-01      Recommendation - The Agency should develop and implement adequate procedures for the accounting and reconciling of accounts receivables.  
  
              Status - We noted this recommendation has not been implemented.
- 14-02      Recommendation - The Agency should hire an outside bookkeeper to help with daily general ledger transactions as well as monthly and year-end closings  
  
              Status - We noted this recommendation has been implemented.
- 14-03      Recommendation - We recommended that all disbursements be approved in writing by management and such approval be documented and maintained with the appropriate support. We also recommended that the Agency implement policies and procedures to ensure all invoices are marked paid, along with the corresponding check number that was written to pay the invoice.  
  
              Status - We noted this recommendation has not been implemented.
- 14-04      Recommendation - We recommended that a person (independent of the individual preparing the reconciliations) review and approve bank reconciliations, and document this procedure by signature and date  
  
              Status - We noted this recommendation has been implemented.
- 14-05      Recommendation - We recommended that an accrued vacation policy be developed to properly record accrued vacation. Written procedures and instructions will prevent an improper accrual and expense of employee vacation time.  
  
              Status - We noted this recommendation has been implemented.
- 14-06      Recommendation - We recommended that fixed asset supporting schedules be maintained on a current basis and be periodically reconciled to third party appraisals and annual activities.  
  
              Status - We noted this recommendation has not been implemented.
- 13-01      Recommendation - The Agency should develop and implement adequate internal controls over accounting and financial reporting.  
  
              Status - We noted this recommendation is in the process of being implemented.

**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)**  
**FOR THE YEAR ENDED MAY 31, 2015**

13-02      Recommendation - We recommended that a person independent of the one preparing the bank reconciliation(s) review and initial the bank reconciliation(s) upon completion and report any unusual transactions to the governing board immediately.

Status - We noted this recommendation has been implemented.

13-03      Recommendation - We recommended that attendance records be kept for each employee, which details the employee's name, amount of days accrued and the type of absence taken.

Status - We noted this recommendation has been implemented.

13-04      Recommendation - The Agency should develop and implement adequate procedures for the accounting and reconciling of accounts receivables.

Status - We noted this recommendation has not been implemented.

13-05      Recommendation - The Agency should implement procedures to ensure sufficient time to comply with grant requirements.

Status - We noted this recommendation has been implemented.

13-06      Recommendation - The Agency should develop and implement adequate procedures for the accounting of payroll expenditures to be reimbursed via Federal and State grants.

Status - We noted this recommendation has been implemented.

13-07      Recommendation - The Agency should develop and implement adequate procedures for proper account coding, or consider investing in accounting software that segregates its governmental funds account balances from its government-wide account balances.

Status - We noted this recommendation has not been implemented.

13-08      Recommendation - The Agency should develop and implement adequate policies and procedures for the management of cash.

Status - We noted this recommendation has been implemented.

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

14-01      Recommendation - The Agency should develop and implement adequate procedures for the accounting and reconciling of accounts receivables.

Status - We noted this recommendation has not been implemented.

**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)**  
**FOR THE YEAR ENDED MAY 31, 2015**

- 14-02      Recommendation - The Agency should hire an outside bookkeeper to help with daily general ledger transactions as well as monthly and year-end closings
- Status - We noted this recommendation has been implemented.
- 14-03      Recommendation - We recommended that all disbursements be approved in writing by management and such approval be documented and maintained with the appropriate support. We also recommend that the Agency implement policies and procedures to ensure all invoices are marked paid, along with the corresponding check number that was written to pay the invoice.
- Status - We noted this recommendation has not been implemented.
- 14-04      Recommendation - We recommended that a person (independent of the individual preparing the reconciliations) review and approve bank reconciliations, and document this procedure by signature and date.
- Status - We noted this recommendation has been implemented.
- 14-06      Recommendation - We recommended that fixed asset supporting schedules be maintained on a current basis and be periodically reconciled to third party appraisals and annual activities.
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- Status - We noted this recommendation is in the process of being implemented.
- 13-04      Recommendation - The Agency should develop and implement adequate procedures for the accounting and reconciling of accounts receivables.
- Status - We noted this recommendation has not been implemented.
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- Status - We noted this recommendation has been implemented.
- 13-06      Recommendation - The Agency should develop and implement adequate procedures for the accounting of payroll expenditures to be reimbursed via Federal and State grants.
- Status - We noted this recommendation has been implemented.