

**Town of North Hempstead
Community Development Agency**

(A Component Unit of the
Town of North Hempstead, New York)

Financial Report

December 31, 2015

**Town of North Hempstead
Community Development Agency**
(A Component Unit of the Town of North Hempstead, New York)

Financial Report

December 31, 2015

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Independent Auditor's Report

Chairman and Agency Board
Town of North Hempstead Community
Development Agency
Roslyn Heights, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Town of North Hempstead Community Development Agency (Agency) (a component unit of the Town of North Hempstead, New York), which comprise the governmental activities, each major fund, and the aggregate remaining fund information as of December 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of North Hempstead Community Development Agency as of December 31, 2015, and the respective changes in financial position, where applicable, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the Agency has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, as of January 1, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate 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 an opinion on the Agency's basic financial statements. The statistical information in the accompanying management's discussion and analysis is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2016, 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.

SaxBST LLP

Albany, New York
March 16, 2016

Town of North Hempstead Community Development Agency

(A Component Unit of the Town of North Hempstead, New York)

Management's Discussion and Analysis December 31, 2015

The following is a discussion and analysis of the Town of North Hempstead Community Development Agency's (Agency) financial performance for the fiscal year ended December 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 follows this section.

Financial Highlights

- As of December 31, 2015, the Agency had total assets and deferred outflows of resources of \$5.861 million, total liabilities and deferred inflows of resources of \$2.027 million, and net position of \$3.834 million.
- Total revenues for the year ended December 31, 2015, were \$955,000 and total expenses were \$1.096 million, resulting in an excess of expenses over revenues of approximately \$141,000.
- The Agency purchased three properties, 220 Sheridan Street, 160 Urban Avenue, and 205 Urban Avenue, at a cost of \$107,738, \$147,342, and \$172,343, respectively, which is included in the property held for redevelopment. The purchase costs are a combination of expenses reimbursable through the Community Development Block Grant (CDBG) program and those charged to program income.
- The Agency commenced work on four project sites (876 Brush Hollow Road, One 3rd Street, 216 Brooklyn Avenue, and 265 Covert Street). These projects will be completed and sold to eligible homeowners in 2016.

Overview of the Financial Statements

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

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by the section of required supplementary information that further explains and supports the financial statements with a schedule of funding progress - other post-employment benefits plan. The Agency annually adopts a budget for its General Fund. A budgetary comparison schedule has been provided to demonstrate compliance with the adopted budget.

Town of North Hempstead Community Development Agency

(A Component Unit of the Town of North Hempstead, New York)

Management's Discussion and Analysis December 31, 2015

Overview of the Financial Statements - Continued

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

Table A-1: Major Features of the Agency-Wide and Fund Financial Statements

	Agency-Wide Statements	Fund Financial Statements	
		Governmental Fund	Fiduciary Fund
Scope	Entire Agency (except fiduciary funds).	The activities of the Agency that are not proprietary or fiduciary.	Instances in which the Agency administers resources on behalf of others.
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Balance Sheet
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Cash Basis
Type of asset and liability information	All asset, deferred inflows/outflows of resources and liabilities, both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term; funds do not contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year.

Agency-Wide Statements

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

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

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

Town of North Hempstead Community Development Agency

(A Component Unit of the Town of North Hempstead, New York)

Management's Discussion and Analysis December 31, 2015

Overview of the Financial Statements - Continued

Agency-Wide Statements - Continued

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

Fund Financial Statements

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

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

The Agency has two kinds of funds:

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

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

Changes in Net Position

The Agency's net position decreased by approximately \$141,000, or 3.55% for the year ended December 31, 2015. Restricted for property held for redevelopment increased by approximately \$427,000, or 15.23%, whereas restricted for home and community services decreased approximately \$573,000, or 48.88%.

**Town of North Hempstead
Community Development Agency**

(A Component Unit of the Town of North Hempstead, New York)

**Management's Discussion and Analysis
December 31, 2015**

Overview of the Financial Statements - Continued

Changes in Net Position - Continued

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

	<u>December 31,</u>		<u>Increase (Decrease)</u>	<u>% Change</u>
	<u>2015</u>	<u>2014 (Restated)</u>		
ASSETS				
Cash	\$ 1,036,644	\$ 1,421,158	\$ (384,514)	-27.06%
Federal aid receivable	325,104	126,404	198,700	157.19%
Other receivables, net	101,535	107,570	(6,035)	-5.61%
Prepaid expenses	17,685	18,227	(542)	-2.97%
Noncurrent assets, net	4,311,665	4,054,493	257,172	6.34%
Total assets	<u>5,792,633</u>	<u>5,727,852</u>	<u>64,781</u>	<u>1.13%</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related	68,725	58,312	10,413	17.86%
Total assets and deferred outflows of resources	<u>\$ 5,861,358</u>	<u>\$ 5,786,164</u>	<u>\$ 75,194</u>	<u>1.30%</u>
LIABILITIES				
Current				
Payables and other	\$ 199,443	\$ 99,442	\$ 100,001	100.56%
Long-term				
Compensated absences	57,245	46,701	10,544	22.58%
Unearned revenue	192,613	271,691	(79,078)	-29.11%
Net pension liability	36,159	48,367	(12,208)	-25.24%
Other postemployment benefits	995,350	806,263	189,087	23.45%
Total liabilities	<u>1,480,810</u>	<u>1,272,464</u>	<u>208,346</u>	<u>16.37%</u>
DEFERRED INFLOWS OF RESOURCES				
Loans receivable	546,425	538,598	7,827	1.45%
NET POSITION				
Restricted for				
Property held for redevelopment	3,234,632	2,807,209	427,423	15.23%
Home and community service	599,491	1,172,791	(573,300)	-48.88%
Total net position	<u>3,834,123</u>	<u>3,980,000</u>	<u>(145,877)</u>	<u>-3.67%</u>
Effects of adopting GASB 68	-	(4,898)	4,898	-100.00%
Adjusted total net position	<u>3,834,123</u>	<u>3,975,102</u>	<u>(140,979)</u>	<u>-3.55%</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 5,861,358</u>	<u>\$ 5,786,164</u>	<u>\$ 75,194</u>	<u>1.30%</u>

Town of North Hempstead Community Development Agency

(A Component Unit of the Town of North Hempstead, New York)

Management's Discussion and Analysis December 31, 2015

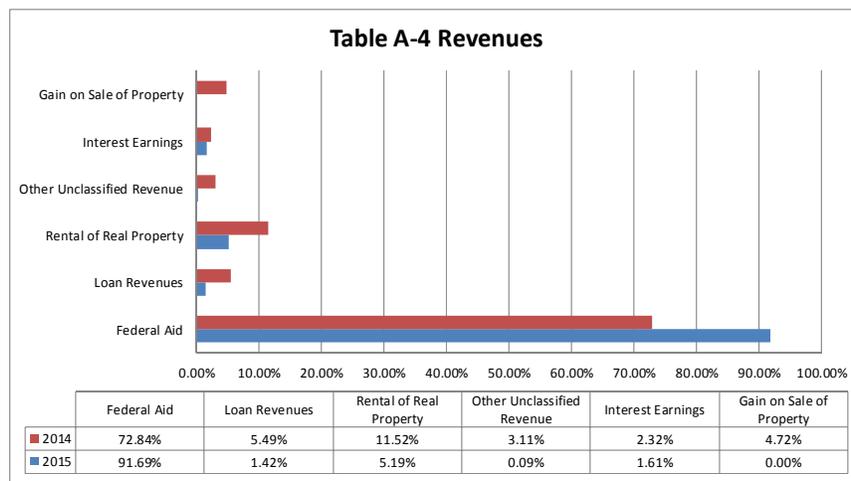
Overview of the Financial Statements - Continued

Changes in Net Position - Continued

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

	Years Ended December 31,		Increase (Decrease)	% Change
	2015	2014		
REVENUES				
Program revenues				
Operating grants, federal aid	\$ 875,909	\$ 580,096	\$ 295,813	50.99%
Charges for services	63,133	135,450	(72,317)	-53.39%
General revenues				
Interest earnings	15,395	18,467	(3,072)	-16.64%
Other revenue	904	24,806	(23,902)	-96.36%
Gain on sale of property	-	37,597	(37,597)	100.00%
Total revenues	<u>955,341</u>	<u>796,416</u>	<u>158,925</u>	19.96%
EXPENSES				
Personal services and benefits	644,359	667,516	(23,157)	-3.47%
Contractual and other expenditures	451,961	316,652	135,309	42.73%
Total expenses	<u>1,096,320</u>	<u>984,168</u>	<u>112,152</u>	11.40%
Change in net position	(140,979)	(187,752)	46,773	-24.91%
NET POSITION, beginning of year	<u>3,975,102</u>	<u>4,167,752</u>	<u>(192,650)</u>	-4.62%
NET POSITION, end of year	3,834,123	3,980,000	(145,877)	-3.67%
Effects of adopting GASB 68	-	(4,898)	4,898	-100.00%
NET POSITION, end of year as restated	<u>\$ 3,834,123</u>	<u>\$ 3,975,102</u>	<u>\$ (140,979)</u>	-3.55%

The Agency's 2015 revenues totaled \$955,000, an increase of approximately \$159,000, or 19.96% when compared to total revenues for 2014. The increase was primarily due to federal grants, including new HOME program funds. No properties were sold in 2015 as compared to a gain in 2014. Rental income decreased due to the scheduled removal of tenants for the start of planned construction.



Town of North Hempstead Community Development Agency

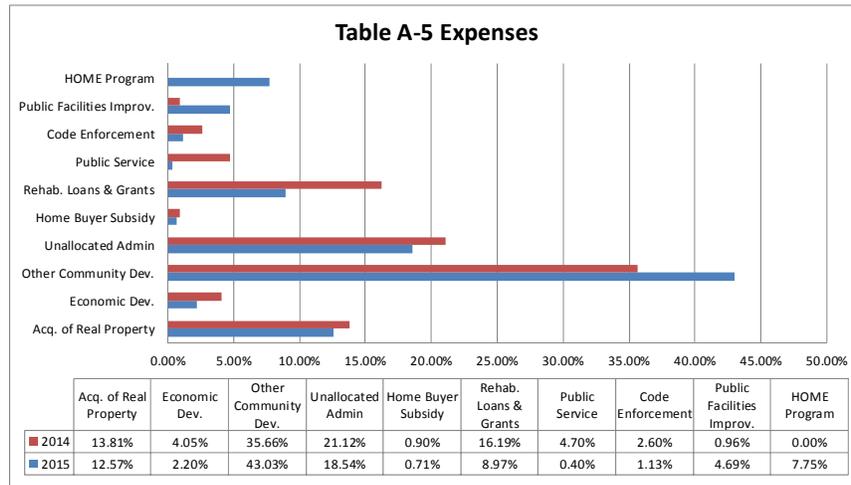
(A Component Unit of the Town of North Hempstead, New York)

Management's Discussion and Analysis December 31, 2015

Overview of the Financial Statements - Continued

Changes in Net Position - Continued

The cost of operating programs and services totaled \$1.096 million, an increase of approximately \$112 thousand, or 11.4% when compared to operating expenses for 2014. The majority of the net increase occurred in other community development program expenses, where additional program effort was expended in the disposition of property and relocation. Public facilities expenses also increased whereas the other expenses decreased.



General Fund Budgetary Highlights

a. 2015 Budget

The supplementary schedule presents original and final budget amounts, as well as actual results for the Agency's General Fund.

The Agency's General Fund adopted budget for the year ended December 31, 2015, was \$2,969,361. Encumbrances carried forward were \$6,156, making the original budget \$2,975,517.

b. Change in General Fund's Restricted Fund Balance (Budget to Actual)

The General Fund's restricted fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures. It is this balance that is commonly referred to as the "fund balance." The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, restricted fund balance	\$ 1,507,118
Revenue under budget	(2,049,510)
Expenditures and encumbrances under budget	1,706,831
Decrease in nonspendable prepaids	986
Closing, restricted fund balance	\$ 1,165,425

Town of North Hempstead Community Development Agency

(A Component Unit of the Town of North Hempstead, New York)

Management's Discussion and Analysis December 31, 2015

Overview of the Financial Statements - Continued

b. Change in General Fund's Restricted Fund Balance (Budget to Actual) - Continued

Revenues Under Budget

The 2015 original budget for revenues was \$2,969,361. Actual revenues received for the year were \$919,851. The amount of actual revenue under final budgeted revenue was \$2,049,510. Federal subsidies which are expenditure reimbursement driven were under budget by \$790,997 due to the timing of various program activities. The sales of real property that were budgeted for \$730,646 included sales that did not occur. Loan repayments did not meet expectations. Interest earned on the economic development loans was under budget due to a loan modification that decreased the monthly payment and extended the term. These changes contributed to the decrease in the Restricted General Fund - Fund Balance from December 31, 2014 to December 31, 2015.

Expenditures and Encumbrances Under Budget

The 2015 final budget for expenditures was \$2,975,517. Actual expenditures as of December 31, 2015 were \$1,262,530, and encumbrances were \$6,156. The final budget was under expended by \$1,706,831 relating to anticipated loan issuances for development expenses and land purchases that did not come to fruition. This change contributed to the decrease in the Restricted General Fund - Fund Balance from December 31, 2014 to December 31, 2015.

Increase in Nonspendable Fund Balance

The Agency's nonspendable fund balance related to prepaids decreased by \$793, and had the effect of increasing restricted fund balance.

Capital Contribution

The Agency budgeted to use fund balance to offset the reductions in revenue anticipated. The net deficiency was covered with prior years' accumulated fund balance.

Governmental Activities

The primary program activities of the Agency included:

1. Acquisition of real property
2. Rehabilitation
3. Home buyers subsidy
4. Other community development
5. Public service code enforcement
6. Economic development
7. Public facilities improvement

Substantially all of the Agency's revenues are generated through programs established by the U.S. Department of Housing and Urban Development, as administered by the County of Nassau, Office of Community Development.

Town of North Hempstead Community Development Agency

(A Component Unit of the Town of North Hempstead, New York)

Management's Discussion and Analysis December 31, 2015

Financial Analysis of the Agency's Funds

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

Total assets of the General Fund decreased from \$2.935 million in 2014 to \$2.487 million in 2015. The overall decrease of \$448,000 was due to a decrease in cash on hand and home buyer subsidy loans receivable, offset by an increase in federal aid receivable.

Total liabilities and deferred inflows of resources of the General Fund decreased from \$1.395 million in 2014 to \$1.290 million in 2015. The decrease of \$105,000 is due primarily to the decrease in deferred inflows of resources related to various loan receivables.

Noncurrent Assets and Debt Administration

Noncurrent Assets

By the end of 2015, the Agency had \$3.235 million in property held for redevelopment. The Agency purchased three properties in 2015; this was an increase of \$427,423 over the 2014 balance of \$2.807 million. Refer to the financial highlights in this section for more information. The Agency had total loan receivables due over one year of \$1.077 million at December 31, 2015.

Long-Term Obligations

As of December 31, 2015, the Agency's long-term obligations consisted of compensated absences obligations of approximately \$57,000 and postemployment benefits of approximately \$995,000 and unearned revenues for conditional loans receivable that will be converted from loans to grants when the homeowners meet the continuing residency requirements of approximately \$145,000. Based on the adoption of GASB Statement No. 68, the Agency now includes its proportionate share of the net pension liability of the State retirement system of approximately \$36,000 in long-term obligations.

Factors Bearing on the Future of the Agency

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

Contacting the Agency's Financial Management

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

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

**Town of North Hempstead
Community Development Agency**

(A Component Unit of the Town of North Hempstead, New York)

Statement of Net Position

	<u>December 31, 2015</u>
	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 1,036,644
Receivables	
Federal aid receivable	325,104
Due from Town of North Hempstead	3,000
Loans receivable, current	50,415
Conditional loans receivable, current	48,000
Accounts receivable, net	120
Prepaid expenses	17,685
Total current assets	<u>1,480,968</u>
NONCURRENT ASSETS	
Loans receivable, due after one year	932,420
Conditional loans receivable, due after one year	144,613
Property held for redevelopment	3,234,632
Total noncurrent assets	<u>4,311,665</u>
Total assets	5,792,633
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources, pension	<u>68,725</u>
Total assets and deferred outflows of resources	<u>\$ 5,861,358</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 183,588
Due to Town of North Hempstead	12,500
Due to other governments	3,355
Unearned revenues, conditional loans receivable	48,000
Total current liabilities	<u>247,443</u>
NONCURRENT LIABILITIES	
Long-term liabilities, due after one year	
Unearned revenues	144,613
Compensated absences	57,245
Net pension liability, proportionate share	36,159
Post-employment benefits	995,350
Total noncurrent liabilities	<u>1,233,367</u>
Total liabilities	<u>1,480,810</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows, loans receivable	<u>546,425</u>
NET POSITION	
Restricted for	
Property held for redevelopment	3,234,632
Home and community service	599,491
Total net position	<u>3,834,123</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 5,861,358</u>

See accompanying Notes to Financial Statements.

Town of North Hempstead Community Development Agency

(A Component Unit of the Town of North Hempstead, New York)

Statement of Activities

Functions/Programs	Year Ended December 31, 2015			
	Expenses	Operating Grants	Charges for Services	Net Revenue (Expense)
Acquisition of real property	\$ 137,775	\$ 373,892	\$ -	\$ 236,117
Economic development	24,085	12,595	-	(11,490)
Other community development	471,793	219,274	49,599	(202,920)
Administration and employee benefits, unallocated	203,293	115,113	-	(88,180)
Home buyer subsidy program	7,767	-	-	(7,767)
Rehabilitation	98,392	27,736	13,534	(57,122)
Public service	4,409	4,409	-	-
Code enforcement	12,425	5,999	-	(6,426)
Public facilities improvement	51,469	31,979	-	(19,490)
Home program	84,912	84,912	-	-
Total governmental activities	<u>\$ 1,096,320</u>	<u>\$ 875,909</u>	<u>\$ 63,133</u>	<u>(157,278)</u>
GENERAL REVENUES				
				2,447
				12,948
				904
				<u>16,299</u>
				(140,979)
				<u>3,980,000</u>
				(4,898)
				<u>3,975,102</u>
				<u>\$ 3,834,123</u>

See accompanying Notes to Financial Statements.

**Town of North Hempstead
Community Development Agency**

(A Component Unit of the Town of North Hempstead, New York)

Balance Sheet - Governmental and Fiduciary Funds

	December 31, 2015	
	General Fund	Agency Fund
ASSETS		
Cash	\$ 1,036,644	\$ 11,840
Receivables		
Federal aid receivable	240,192	-
Due from other governments	3,000	-
Residential rehabilitation loans receivable	611,658	-
Home buyer subsidy loans receivable	77,853	-
Commercial rehabilitation loans receivable	49,527	-
Economic development loans receivable	436,410	-
Accounts receivable (net of allowance)	120	-
Prepaid expenses	31,819	-
	\$ 2,487,223	\$ 11,840
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE		
Accounts payable and accrued expenses	\$ 98,676	\$ -
Due to Town of North Hempstead	12,500	-
Due to other governments	3,355	-
Deposits	-	11,840
Total liabilities	114,531	\$ 11,840
Deferred inflow of resources	1,175,448	
Fund balance		
Non-spendable	31,819	
Restricted, Federal Programs	1,165,425	
Total fund balance	1,197,244	
	\$ 2,487,223	

**Town of North Hempstead
Community Development Agency**

(A Component Unit of the Town of North Hempstead, New York)

**Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position**

		December 31, 2015
Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balance - governmental funds	\$	1,197,244
Property held for redevelopment held in governmental activities is not a financial resource and, therefore, is not reported in the funds.		3,234,632
Home program receivables are not recognizable in the governmental funds until certain conditions are met.		84,912
Home program liabilities are not due and payable to the contractor in the current period and, therefore, are not reported in the funds.		(84,912)
Pension contributions made subsequent to the measurement but before the Agency's fiscal year-end are reported as deferred outflows of resources.		
Prepaid expenses	\$ (14,134)	
Deferred outflow of resources	<u>56,535</u>	42,401
When valuing pension obligations, changes in actuarial assumptions, differences between expected and actual experience, differences between projected and actual investment earnings, changes in proportion, and differences between employer contributions and proportionate share of contributions are reported as deferred outflows and inflows of resources.		12,190
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	\$ (57,245)	
Net pension liability, proportionate share	(36,159)	
Postemployment benefits	<u>(995,350)</u>	(1,088,754)
The Agency's revenues related to economic development loans are not available soon enough to pay for current period's expenditures and, therefore, are deferred in the funds.		<u>436,410</u>
Net position - governmental activities		<u><u>\$ 3,834,123</u></u>

**Town of North Hempstead
Community Development Agency**

(A Component Unit of the Town of North Hempstead, New York)

Statement of Revenues, Expenditures, and
Changes in Fund Balance - General Fund

	Year Ended December 31, 2015
REVENUES	
Federal aid	\$ 790,997
Loan repayments	62,956
Use of money and property	
Interest earnings on investments	2,447
Interest on economic development loan	12,948
Rental of real property	49,599
Other unclassified revenue	904
Total revenues	919,851
EXPENDITURES	
Acquisition of real property	493,781
Economic development	21,042
Other community development	412,178
Home buyer subsidy program	6,785
Administration	143,391
Rehabilitation	85,960
Employee benefits, unallocated	39,163
Public service	4,409
Code enforcement	10,855
Public facilities improvement	44,966
Total expenditures	1,262,530
Deficiency of revenues under expenditures	(342,679)
FUND BALANCE, <i>beginning of year</i>	1,539,923
FUND BALANCE, <i>end of year</i>	\$ 1,197,244

See accompanying Notes to Financial Statements.

Town of North Hempstead Community Development Agency

(A Component Unit of the Town of North Hempstead, New York)

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund to the Statement of Activities

	<u>Year Ended December 31, 2015</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balance, governmental funds	\$ (342,679)
Governmental funds report property acquisitions as expenditures. This is the amount expended in the governmental funds for property held for redevelopment in the period.	427,423
The Agency's revenues related to economic development loans are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds. Collections on economic development loans are reported as revenues in the funds.	(49,422)
Home program expenses do not involve the use of current resources and, therefore, are not reported as an expenditure in the governmental funds.	(84,912)
Home program revenues are recognizable in the governmental funds only when certain conditions are met. They are recognized in the statement of activities when the corresponding expense is recorded.	84,912
Changes in compensated absence liability are reported as an increase in benefits in the statement of activities, but do not involve the use of current resources and, therefore, are not reported as an expenditure in the governmental funds.	(10,544)
Changes in the proportionate share of the net pension liability and related deferred outflows reported in the statement of activities do not provide for or require use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds.	23,330
Changes in post-employment expense are reported as an increase in benefits in the statement of activities, but do not involve the use of current resources and, therefore, are not reported as an expenditure in the governmental funds.	<u>(189,087)</u>
Change in net position of governmental activities	<u>\$ (140,979)</u>

See accompanying Notes to Financial Statements.

Town of North Hempstead Community Development Agency

(A Component Unit of the Town of North Hempstead, New York)

Notes to Financial Statements December 31, 2015

Note 1 - Organization and Summary of Significant Accounting Policies

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

a. Reporting Entity

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

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

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

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

b. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Agency's governmental activities. Direct expenses are restricted to meeting the operational or capital requirements of a particular program. Program revenues include operating grants from the Federal Community Development Block Grant and charges for services which include loan satisfactions and rental of real properties. Revenues that are not classified as program revenues are presented as general revenues.

Town of North Hempstead Community Development Agency

(A Component Unit of the Town of North Hempstead, New York)

Notes to Financial Statements December 31, 2015

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

b. Basis of Presentation - Continued

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

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

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

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

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

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

c. Basis of Accounting/Measurement Focus

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

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

Town of North Hempstead Community Development Agency

(A Component Unit of the Town of North Hempstead, New York)

Notes to Financial Statements December 31, 2015

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

c. Basis of Accounting/Measurement Focus - Continued

The fiduciary funds are reported on the cash basis of accounting. Under this method, assets and liabilities are recognized upon receipt of the asset giving rise to the fiduciary liability.

d. Assets, Liabilities, and Fund Balance

Cash - The Agency pools cash resources of all funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

Loans Receivable - All loans receivable are reported at their gross value and are secured by liens filed against various residential and commercial properties. Loans receivable include the residential and commercial loans which are collectible in the future. The Agency makes loans and grants under four programs:

1. Deferred Payment Loans (DPL) - These loans are made to low income families and are secured by a mortgage or deed of trust. DPL's are payable upon a change in occupancy. Newer loans accrue interest at a low rate of interest that is payable with the principal at change in occupancy.
2. Conditional Loans - These loans are made to homeowners and are convertible to a grant after five years of maintaining the household.
3. Commercial Loans - These loans are made to owners of business properties to improve their buildings and increase their working capital.
4. Economic Development Loans - These loans are made to owners of businesses for building acquisitions and/or renovations, working capital, and/or the purchase of machinery and equipment.
5. Home Buyer Subsidy Loans - These loans are made to buyers to purchase affordable homes with five year pro rata recapture of grant, reduced 20% per year if occupancy obligations are met.

The Agency utilizes various procedures to collect the loans when they become payable or in default. If payment is not received on a timely basis, a demand letter is sent. All available economically feasible legal remedies are pursued.

Investments - The Agency's investment policies are governed by Federal and New York State statutes. The Agency also has a written policy which restricts investments to cash and cash equivalents, including money market funds in interest bearing accounts. The Agency had no investments at December 31, 2015.

The Agency's management has the authority to implement the Agency's investment policies. The Agency requires the Trust Department of each bank at which cash has been deposited to collateralize the federally uninsured balances by pledging short-term United States Treasury or New York State municipal securities. Measures are taken by the Agency to ensure that the market value of such collateral is equal to or greater than the value of the related investment.

Town of North Hempstead Community Development Agency

(A Component Unit of the Town of North Hempstead, New York)

Notes to Financial Statements December 31, 2015

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

d. Assets, Liabilities, and Fund Balance - Continued

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

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

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

Depreciation is recorded on the straight-line method over the respective lives of the various assets. The estimated useful life of equipment is 60 months. The Agency's capital assets were fully depreciated in prior reporting periods.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items using the consumption method in both the Agency-wide and fund financial statements, with the exception of pension contributions made subsequent to the measurement date but before fiscal year-end, which are reported as deferred outflows of resources in the Agency-wide financial statements.

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

Deferred Outflow of Resources - 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 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. The Agency reports deferred outflows of resources related to various pension transactions. Differences between expected and actual experience, the net difference between projected and actual investment earnings on pension plan investments, changes in proportion and differences between employer contributions and proportionate share of contributions and the Agency's contribution to the pension system subsequent to the measurement date are all reported as deferred outflows of resources.

Deferred Inflow of Resources - A deferred inflow of resources is an acquisition of resources by the Agency that is applicable to a future reporting period. When potential revenues do not meet the availability criterion for recognition in the current period, these amounts are recorded as deferred inflows of resources in the governmental funds. In subsequent periods, when the availability criterion is met, deferred inflows of resources are reclassified as revenues. Conditional loan receivables that may be converted to grants and not revenue, if occupancy conditions are met, are classified as deferred inflows-loans receivable in both the Agency fund and Agency-wide financial statements. In the Agency fund statements, the deferred inflows of resources of \$1.175 million represent those loans not expected to be received within the recognition period.

Town of North Hempstead Community Development Agency

(A Component Unit of the Town of North Hempstead, New York)

Notes to Financial Statements December 31, 2015

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

d. Assets, Liabilities, and Fund Balance - Continued

Unearned Revenue - Unearned revenues arise when the Agency receives resources before it has legal claim to them, as when grant monies are received in advance from payers prior to the expenditure being made by the Agency. In subsequent periods, when the Agency has legal claim to the resources, the liability for unearned revenues is removed, and revenues are recorded. The Agency reported no unearned revenue at December 31, 2015, in the governmental funds.

Net Position - In the Agency-wide statements, there are two classes of net position:

Net Investment in Capital Assets - Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction, or improvement of those assets. The Agency's capital assets consisted of equipment and were fully depreciated as of December 31, 2015. Accordingly, the Agency's net position does not include net investment in capital assets as of December 31, 2015.

Restricted - Reports all other net assets that do not meet the above classification and are deemed to be available for use by the Agency in conducting the federal program objectives. The restricted category is subdivided into Property Held for Redevelopment and Home and Community Services under the Federal Community Development Block Grant provisions.

Fund Statements - In the fund basis financial statements, there are five classifications of fund balance:

Nonspendable fund balance - Includes amounts that cannot be spent because they either are not in spendable form or legally or contractually required to be maintained intact. The Agency's non-spendable fund balance includes prepaid expenses.

Restricted fund balance - Includes amounts with constraints placed on the use of resources either externally imposed by grantors, creditors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The Agency's remaining fund balance after non-spendable fund balance is fully restricted due to program guidelines for federal aid.

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

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

Assigned fund balance - Includes amounts with constraints placed by the Agency's intent to be used for specific purposes, but is not restricted or committed.

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

Total fund balance of the Agency's general fund differs from "net position" of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term focus of the statement of net position versus the solely current financial resource focus of the General Fund balance sheet.

**Town of North Hempstead
Community Development Agency**

(A Component Unit of the Town of North Hempstead, New York)

Notes to Financial Statements
December 31, 2015

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

e. Encumbrances

In the General Fund, encumbrance accounting under which contracts and other commitments for the expenditure of monies are recorded is generally employed as an extension of formal budgetary integration, and encumbrances outstanding at the end of the year of approximately \$6,000 are reported as restriction of fund balance.

f. Expenditures

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

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

g. Estimates

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

h. Subsequent Events

The Agency has evaluated subsequent events for potential recognition or disclosure through March 16, 2016, the date the financial statements were available to be issued.

Note 2 - Adoption of Accounting Standards

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statements No. 27, *Accounting for Pensions by State and Local Government Employers and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement.

Town of North Hempstead Community Development Agency

(A Component Unit of the Town of North Hempstead, New York)

Notes to Financial Statements December 31, 2015

Note 2 - Adoption of Accounting Standards - Continued

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68. This statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this statement are required to be applied simultaneously with the provisions of Statement No. 68.

The Agency adopted these accounting standards as of January 1, 2015. As a result of adopting these accounting standards and guidance, the Agency now reports its proportionate share of the net pension liability as determined by the State and Local Employees' Retirement System. This liability, along with deferred outflows of resources, deferred inflows of resources, and pension expense are reported within the governmental activities. The adoption of GASB 68 and 71 does not impact financial reporting in governmental funds. The adoption of GASB 68 is retroactive. Accordingly, the Agency has restated its opening net position as follows:

	January 1, 2015
NET POSITION, <i>beginning of year, as previously stated</i>	\$ 3,980,000
<u>GASB Statement No. 68 implementation</u>	
Beginning system liability - Employees' Retirement System	(48,367)
Adjustment to prepaid expenses and other	(14,843)
Beginning deferred outflow of resources for contributions subsequent to the measurement date	58,312
Net adjustment	(4,898)
NET POSITION, <i>beginning of year, as restated</i>	\$ 3,975,102

Note 3 - Stewardship, Compliance, and Accountability

The Agency prepares budgets for its Block Grant and administration expenses. The Agency's management accumulates budgetary data and submits a tentative administrative budget to the Agency's Board of Directors during or before January of each year. A public hearing is held for the purpose of discussing the proposed Block Grant budget prior to the end of March of each year. The Agency then submits this budget in the form of an application to the Nassau County Office of Housing and Intergovernmental Affairs (Nassau County) for its approval subject to changes. On or before June 18th, Nassau County approves the allotment for the program year which is then officially accepted by the Community Development Agency Board of Directors. The Board then approves the administrative budget based on the allotment. The Agency's Board of Directors is authorized to enter into amendatory agreements with Nassau County and empowers the Agency to transfer or increase grant amounts within the Block Grant categories.

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

Town of North Hempstead Community Development Agency

(A Component Unit of the Town of North Hempstead, New York)

Notes to Financial Statements December 31, 2015

Note 3 - Stewardship, Compliance, and Accountability - Continued

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

The annual General Fund budget is adopted on the modified accrual basis of accounting.

Transfers between major objects of expenditures in accordance with the Block Grant may be made by the Executive Director and subsequently approved by the Board of Directors. Transfers between Block Grant grant years and program lines are subject to public notice.

Appropriations in all budgeted funds lapse at the end of the year, except that outstanding encumbrances are re-appropriated in the subsequent year pursuant to the Uniform System of Accounts promulgated by the New York State Office of the State Comptroller.

Note 4 - Detail Notes on all Funds

a. Cash

Cash consists of the following:

	December 31, 2015
Checking accounts	\$ 710,065
Money market	326,377
Checking account, escrow	11,840
Petty cash	202
Total cash	\$ 1,048,484

At December 31, 2015, cash balances reported by the Agency's banks totaled \$1.178 million and were insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized with the securities held by its agent in the name of the Agency.

b. Loans Receivable

	January 1, 2015	Increases	Decreases	December 31, 2015	Due Within One Year	Noncurrent
Residential loans						
Conditional loans, convertible after five years to grant	\$ 193,838	\$ -	\$ 79,078	\$ 114,760	\$ -	\$ 114,760
Interest-bearing deferred loans, rate of 1%, term ends at change in occupancy	17,078	7,827	-	24,905	-	24,905
Interest-free deferred loans, payable at change in occupancy	478,633	-	6,640	471,993	-	471,993
	689,549	7,827	85,718	611,658	-	611,658
Commercial loans	49,527	-	-	49,527	-	49,527
Economic development loan 1, at 3.25%, due monthly, final payment August 15, 2024	237,633	-	21,295	216,338	21,967	194,371
Economic development loan 2, at 3.25%, due monthly, final payment December 27, 2022	248,199	-	28,127	220,072	28,448	191,624
	485,832	-	49,422	436,410	50,415	385,995
Home buyer subsidy loans, convertible over five years to grant at 20% per year	125,853	-	48,000	77,853	48,000	29,853
Total loan receivables	\$ 1,350,761	\$ 7,827	\$ 183,140	\$ 1,175,448	\$ 98,415	\$ 1,077,033

Town of North Hempstead Community Development Agency

(A Component Unit of the Town of North Hempstead, New York)

Notes to Financial Statements December 31, 2015

Note 4 - Detail Notes on all Funds - Continued

c. Noncurrent Assets, Excluding Loans Receivable

Noncurrent asset activity was as follows:

	January 1, 2015	Additions	Deletions	December 31, 2015
Property held for redevelopment	\$ 2,807,209	\$ 427,423	\$ -	\$ 3,234,632

d. Retirement System

The Agency participates in the New York State and Local Employees Retirement System (“ERS”) referred to herein as the “System.” This is a cost-sharing, multiple-employer defined benefit retirement plan system. The System provides retirement benefits, as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all new assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the Trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship, and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute.

The Agency also participates in the Public Employees’ Group Life Insurance Plan (GLIP) which provides death benefits in the form of life insurance. The System is included in the State’s financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany NY 12244.

Funding Policy

Employer and employee contribution rates are actuarially determined and based upon membership plan and tier. Contributions consist of a pension contribution and a group term life insurance portion (GTLI) component.

The System is noncontributory for employees who joined the New York State and Local Employees Retirement System prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary for the first ten years of membership. For employees who joined after January 1, 2010, they contribute 3% of their salary throughout their active membership. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed as proportions of members’ payroll annually which are used in computing the employers’ contributions required to be made by employers to the pension accumulation fund based on salaries paid during the System’s fiscal year ending March 31.

**Town of North Hempstead
Community Development Agency**

(A Component Unit of the Town of North Hempstead, New York)

Notes to Financial Statements
December 31, 2015

Note 4 - Detail Notes on all Funds - Continued

d. Retirement System - Continued

Funding Policy - Continued

The required contributions for the current year and two preceding years were:

Year	Annual Contribution	Interest and Amortization	Total Annual Payment
2015	\$ 54,323	\$ 2,212	\$ 56,535
2014	56,599	1,713	58,312
2013	56,965	3,193	60,158

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

Since 1989, the System's billings have been based on Chapter 62 of Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ended March 31, 1988 and 1989 (which otherwise were to have been paid on June 30, 1989 and 1990, respectively) over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability. There was no unpaid liability at the end of the fiscal year 2015.

Chapter 260 of the Laws of New York State changed the annual payment due date for employers who participate in the New York State and Local Employees' Retirement System. The December 15 payment due date changed to February 1. The covered salary period (April 1 - March 31) will not change for the calculation.

Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At December 31, 2015, the Agency reported a liability of \$36,159 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of March 31, 2015, for ERS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS System in reports provided to the Agency.

At December 31, 2015, the Agency's proportion was 0.0010703% in the ERS.

**Town of North Hempstead
Community Development Agency**

(A Component Unit of the Town of North Hempstead, New York)

Notes to Financial Statements
December 31, 2015

Note 4 - Detail Notes on all Funds - Continued

d. Retirement System - Continued

Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources
Related to Pensions - Continued

For the year ended December 31, 2015, the Agency recognized pension expense of \$33,912 for ERS. At December 31, 2015, the Agency's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources ERS
Differences between expected and actual experience	\$ 1,157
Net difference between projected and actual earnings on pension plan investments	6,280
Changes in proportion and differences between the District's contributions and proportionate share of contributions share of contributions	4,753
Agency's contributions subsequent to the measurement date	56,535
	\$ 68,725

Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

	ERS
Plan year ending March 31,	
2016	\$ 3,048
2017	3,048
2018	3,048
2019	3,046

Town of North Hempstead Community Development Agency

(A Component Unit of the Town of North Hempstead, New York)

Notes to Financial Statements December 31, 2015

Note 4 - Detail Notes on all Funds - Continued

d. Retirement System - Continued

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	ERS
Measurement date	March 31, 2015
Actuarial valuation date	April 1, 2014
Actuarial cost method	Entry age normal
Interest rate	7.50%
Salary scale	4.90%
Decrement	April 1, 2005 - March 31, 2010 System's Experience
Mortality improvement	Society of Actuaries Scale MP - 2014
Inflation rate	2.70%

For ERS, annuitant mortality rates are based on April 1, 2005 - March 31, 2010 System's experience with adjustments for mortality improvements based on MP-2014. For ERS, the actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 - March 31, 2010.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015, are summarized below:

<u>Asset type</u>	Target Allocation	Long-Term Expected Real Rate
Domestic equity	38.00%	7.30%
International equity	13.00%	8.55%
Private equity	10.00%	11.00%
Real estate	8.00%	8.25%
Absolute return strategies	3.00%	6.75%
Opportunistic portfolio	3.00%	8.60%
Real assets	3.00%	8.65%
Bonds and mortgages	18.00%	4.00%
Cash	2.00%	2.25%
Inflation-indexed bonds	2.00%	4.00%
	100.00%	

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Notes to Financial Statements December 31, 2015

Note 4 - Detail Notes on all Funds - Continued

d. Retirement System - Continued

Discount Rate

The discount rate used to calculate the total pension liability was 7.5% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Agency's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.5% for ERS, as well as what the Agency's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate:

ERS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension asset (liability)	\$ (241,013)	\$ (36,159)	\$ 136,789

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the valuation date were as follows:

	<u>(Dollars in Thousands)</u>
Valuation date	April 1, 2014
Employers' total pension liability	\$ 164,591,054
Plan Net Position	<u>(161,213,259)</u>
Employers' net pension liability	<u>\$ 3,377,795</u>
Ratio of plan net position to the Employers' total pension liability	<u>97.9%</u>

e. Deferred Compensation

The Agency has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The Agency makes no contributions into this Plan. The amount deferred by eligible employees for the year ended December 31, 2015, totaled \$52,783.

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Notes to Financial Statements
December 31, 2015

Note 4 - Detail Notes on all Funds - Continued

f. Compensated Absences

A summary of changes in compensated absences for the year ended December 31, 2015, is as follows:

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
Compensated absences	\$ 46,701	\$ 35,830	\$ 25,286	\$ 57,245

g. Post-Employment Benefits

In the government-wide financial statements, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. In applying the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the Agency recognizes the costs of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Agency's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 26 years.

Plan Description - The Agency, as a single-employer defined benefit plan, per its contracts with employees, pays a percentage of the premium costs for the medical and prescription drug benefits provided through the New York State Health Insurance Program (NYSHIP) based on years of service. Active and retired employees of the Agency have the Empire PPO Plan (Core Plus Enhancements). The Empire Plan has separate pre-Medicare and Medicare rates. Retiree claim costs are equal to the costs incurred by the NYSHIP Empire Plan, plus administrative fees. For calendar year 2015, the Medicare Part B premium for Medicare eligibles was reimbursed at \$104.90 per month. Upon death of a retiree, the spouse may continue to receive coverage but must pay fifteen percent more in premiums. Substantially all of the Agency's employees may become eligible for these benefits if they reach age 62 and attained 10 years of service while working for the Agency.

The number of participants as of January 1, 2015, was as follows:

Active employees	3
Retired members	4
Total	7

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Notes to Financial Statements
December 31, 2015

Note 4 - Detail Notes on all Funds - Continued

g. Post-Employment Benefits - Continued

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

Benefit Obligations and Normal Costs

Actuarial accrued liability (AAL)	\$ 1,326,483
Actuarial value of plan assets	<u>-</u>
Underfunded actuarial accrued liability (UAAL)	<u>\$ 1,326,483</u>
Funded ratio	0.00%
Covered payroll	\$ 297,805
UAAL as a percentage of covered payroll	445.42%
Calculation of ARC under projected unit credit method annual required contribution (ARC)	<u>\$ 227,228</u>

Annual OPEB Cost Contribution

Contribution made by the Agency	\$ 18,966
Contribution as a percentage of required contribution	8.35%

Annual OPEB Cost and Net OPEB Obligation

Annual required contribution	\$ 227,228
Interest on net OPEB obligation	16,125
Adjustment to annual required contribution	<u>(35,300)</u>
Annual OPEB cost (expense)	208,053
Contribution made on a pay-as-you-go basis	<u>(18,966)</u>
Increase in net OPEB obligation	189,087
Net OPEB obligation at beginning of year	<u>806,263</u>
Net OPEB obligation at end of year	<u>\$ 995,350</u>

Actuarial methods and assumptions:

Funding interest rate (assuming benefits are not prefunded)	2.00%
2014 medical trend rate (Medical, Medicare, Dental/Vision)	9%, 7%, 5%
Ultimate trend rate (Medical, Medicare, Dental/Vision)	5%, 5%, 4%
Year ultimate trend rate rendered	2023
Annual payroll growth rate	-
Actuarial cost method	Projected Unit Credit
The remaining amortization period at December 31, 2015	25 years

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Notes to Financial Statements December 31, 2015

Note 4 - Detail Notes on all Funds - Continued

h. Contingencies

1) Federal Funding

The Agency has received significant federal funding which is subject to audit by agencies of state and federal governments. Such audits may result in a disallowance and a request for a return of funds to the federal and state governments. The Agency has recognized a \$3,000 liability for the disallowance relating to a finding in 2009 for an ineligible relocation disbursement. This liability has been accepted by the Town and is shown as \$3,000 amount due from the Town at December 31, 2015. Management believes any further disallowances, if any, would be immaterial.

2) Pending Litigation

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

3) Environmental Risks

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

i. Operating Leases

The minimum remaining non-cancelable lease payments are as follows:

For the year ending December 31,

2016	\$	4,504
2017		4,295
2018		2,292
2019		2,292
2020		2,292
2021		191
		191
	<u>\$</u>	<u>15,866</u>

j. Accounting Pronouncements Issued Not Yet Implemented

GASB Statement No. 72, Fair Value Measurement and Application. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

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Notes to Financial Statements
December 31, 2015

Note 4 - Detail Notes on all Funds - Continued

j. Accounting Pronouncements Issued Not Yet Implemented - Continued

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of this statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

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

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Required Supplementary Information - Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund

Year Ended December 31, 2015					
	Original Budget	Final Budget	Actual 2015	Year-End Encumbrances	Final Budget Variance with Actual and Encumbrances
REVENUE AND FINANCIAL SOURCES					
<u>Operating Revenue</u>					
Rental	\$ 12,850	\$ 12,850	\$ 49,599		\$ 36,749
Loan repayments	126,308	126,308	62,956		(63,352)
<u>Nonoperating Revenue</u>					
Investment earnings	1,523	1,523	2,447		924
Interest on economic development loans	19,045	19,045	12,948		(6,097)
Federal subsidies	2,078,989	2,078,989	790,997		(1,287,992)
<u>Other Nonoperating Revenue</u>					
Sale of real property	730,646	730,646	-		(730,646)
Other	-	-	904		904
Total revenue	<u>2,969,361</u>	<u>2,969,361</u>	<u>919,851</u>		<u>(2,049,510)</u>
EXPENDITURES					
<u>Operating Expenditures</u>					
Salaries and wages	299,504	299,504	297,805	\$ -	\$ 1,699
Other employee benefits	194,396	194,396	170,249	-	24,147
Professional service contracts	161,656	179,656	165,250	6,156	8,250
Supplies and materials	4,400	4,400	2,929	-	1,471
Other operating expenditures	1,942,461	1,814,461	194,464	-	1,619,997
<u>Nonoperating Expenditures</u>					
Capital asset outlay	325,000	435,000	427,423	-	7,577
Grants and donations	48,100	48,100	4,410	-	43,690
Total expenditures	<u>2,975,517</u>	<u>2,975,517</u>	<u>1,262,530</u>	<u>6,156</u>	<u>1,706,831</u>
Net change in fund balance	<u>\$ (6,156)</u>	<u>\$ (6,156)</u>	<u>(342,679)</u>	<u>\$ (6,156)</u>	<u>\$ (342,679)</u>
FUND BALANCE, beginning of year			1,539,923		
FUND BALANCE, end of year			<u>\$ 1,197,244</u>		

See Independent Auditor's Report.

**Town of North Hempstead
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Required Supplementary Information -
Schedule of Funding Progress
Other Postemployment Benefits Plan

Fiscal Year Ended	Valuation Date	Actuarial		Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
		Value of Assets	Accrued Liability				
December 31, 2015	January 1, 2015	\$ -	\$ 1,326,483	\$ 1,326,483	0.00%	\$ 297,805	445.42%
December 31, 2014	January 1, 2014	-	1,326,483	1,326,483	0.00%	289,611	458.02%
December 31, 2013	January 1, 2013	-	933,570	933,570	0.00%	282,924	329.97%
December 31, 2012	January 1, 2012	-	933,570	933,570	0.00%	277,059	336.96%
December 31, 2011	January 1, 2011	-	722,028	722,028	0.00%	290,878	248.22%

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Required Supplementary Information -
Schedule of the Local Government's Proportionate Share of the Net Pension Liability

	<u>2015</u>
Agency's proportion of the net pension liability	0.0010703%
Agency's proportionate share of the net pension liability	\$ 36,159
Agency's covered employee payroll	\$ 297,805
Agency's proportionate share of the net pension liability as a percentage of its covered employee payroll	12.14%
ERS Plan fiduciary net position as a percentage of the total pension liability (March 31, ERS fiscal year end)	97.9%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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Required Supplementary Information - Schedule of Local Government Contributions Years Ended December 31,

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 56,535	\$ 58,312	\$ 60,158	\$ 54,648	\$ 33,939	\$ 32,110	\$ 17,028	\$ 18,759
Contributions in relation to the contractually required contribution	56,535	58,312	60,158	54,648	33,939	32,110	17,028	18,759
Contribution deficiency or (excess)	-	-	-	-	-	-	-	-
Agency's covered employee payroll	297,805	289,611	282,824	277,059	290,878	237,990	247,631	244,732
Contributions as a percentage of covered employee payroll	18.98%	20.13%	21.27%	19.72%	11.67%	13.49%	6.88%	7.67%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.