

Town of Huntington
Community Development Agency

Financial Statements
with Independent Auditor's Reports

For the Year Ended December 31, 2019

TOWN OF HUNTINGTON COMMUNITY DEVELOPMENT AGENCY

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December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the Town of Huntington Community Development Agency (the Agency), which is a blended component unit reported as a major governmental special revenue fund of the Town of Huntington, New York, as of and for the year ended December 31, 2019, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BEYOND THE NUMBERS...

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, financial position of the Town of Huntington Community Development Agency, which is a blended component unit reported as a major governmental special revenue fund of the Town of Huntington, New York, as of December 31, 2019, and the respective changes in financial position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Town of Huntington Community Development Agency, which is a blended component unit reported as a major governmental special revenue fund of the Town of Huntington, New York, and do not purport to, and do not, present fairly the financial position of the Town of Huntington, New York, as of December 31, 2019 and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Town of Huntington Community Development Agency. The other supplementary information on page 16 is presented for the purposes of additional analysis and is not a required part of the financial statements. The other supplementary information has not been subjected to the auditing procedures applied the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Amint, Vijir, Zeh & Company P.C.

August 20, 2020
Hauppauge, New York

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HUNTINGTON COMMUNITY DEVELOPMENT AGENCY
Management's Discussion and Analysis

This discussion and analysis of The Town of Huntington Community Development Agency's (the Agency) financial performance provides an overview of the Agency's financial activities for the years ended December 31, 2019. Please read this in conjunction with the financial statements and the accompanying notes to those statements.

1. FINANCIAL HIGHLIGHTS

- The Agency's fund balance was \$780,270 at December 31, 2019 based on the modified accrual basis of accounting. This basis of accounting excludes the reporting of long-term assets (including real estate) and liabilities. For informational purposes, the other supplementary information on page 16 identifies long-term assets owned by the Agency as of December 31, 2019.
- The Agency's total assets increased by \$1,587,506 during 2019. The increase was due to the \$2,597,995 million increase in Property Held for Resale, representing the construction costs of Columbia Terrace, an affordable housing complex consisting of 14 units with veteran's preference. This was offset by \$920,825 decrease in restricted cash which was used for the project. The major source of funding for this project is through construction loans and local financing.
- The Agency's total liabilities increased by \$2,074,549 during 2019. This was due to a construction loan payable increasing \$1,359,986 for construction costs related to Columbia Terrace. In addition to this due to primary government increased \$535,393 and accounts payable increased \$176,093.

2. FINANCIAL STATEMENTS

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

The financial statements have been prepared on the modified accrual basis of accounting. Under that basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or within 60 days after year end. Expenditures are generally recorded when incurred.

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

3. BALANCE SHEETS

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

	<u>2019</u>	<u>2018*</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Assets	<u>\$ 4,790,889</u>	<u>\$ 3,203,383</u>	<u>\$ 1,587,506</u>	49.56 %
Liabilities	<u>\$ 3,987,665</u>	<u>\$ 1,913,116</u>	<u>\$ 2,074,549</u>	108.44 %
Deferred Inflows of Resources	<u>\$ 22,954</u>	<u>\$ 22,954</u>	<u>\$ -0-</u>	0.00 %
Fund Balance	<u>\$ 780,270</u>	<u>\$ 1,267,313</u>	<u>\$ (487,043)</u>	(38.43)%

* 2018 as restated for property held for resale and construction loan payable.

TOWN OF HUNTINGTON COMMUNITY DEVELOPMENT AGENCY
Management's Discussion and Analysis

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

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

	2019	2018*	Dollar Change	Percentage Change
Revenues	\$ 1,355,473	\$ 3,495,744	\$ (2,140,271)	(61.23)%
Expenditures	1,842,516	1,230,342	612,174	49.76 %
Change in Fund Balance	(487,043)	2,265,402	(2,752,445)	(121.50)%
Fund Balance, (Deficit) January 1	1,267,313	(998,089)	2,265,402	226.97 %
Fund Balance, December 31	\$ 780,270	\$ 1,267,313	\$ (487,043)	(38.43)%

* 2018 As restated for property held for resale and construction loan payable.

The agency reported a decrease in fund balance of \$487,043. The decrease is largely attributable to a decrease in revenues of approximately \$2,000,000 related to local sources for the Columbia Terrace Project, coupled with increased expenditures for the Community Development Block Grant.

5. ECONOMIC FACTORS

Federal appropriation levels, particularly funding for the Community Development Block Grant ("CDBG") continue to have a major impact on the Agency's economic position. The federal funding represents a significant portion of total revenues. It is difficult to anticipate what federal funding will be, and if federal funding decreases or is less than anticipated, this could have a negative impact on the Agency's operations.

Subsequent to year end, the COVID-19 (coronavirus) pandemic has resulted in sensational economic volatility on a global scale. Federal aid and other miscellaneous local sources might be negatively impacted. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relation of protective measures, management cannot reasonably estimate the actual impact on the Agency's financial position at this time.

6. REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the Town of Huntington Community Development Agency, a component unit of the Town of Huntington, New York's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to: Director, Town of Huntington Community Development Agency, 100 Main Street, Huntington, New York 11743.

BASIC FINANCIAL STATEMENTS

TOWN OF HUNTINGTON COMMUNITY DEVELOPMENT AGENCY

Balance Sheet
December 31, 2019

ASSETS

Cash	\$ 197,392
Cash - restricted	1,166,130
Rental receivables	22,069
Due from other governments	8,209
Prepays	11,234
Property held for resale	<u>3,385,855</u>

Total Assets \$ 4,790,889

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES
AND FUND BALANCE**

Liabilities

Accounts payable	\$ 269,426
Due to Primary Government	1,835,499
Escrow deposits	6,500
Security deposits	16,254
Construction loan payable	<u>1,859,986</u>

Total Liabilities 3,987,665

Deferred Inflows of Resources

Deferred advertising revenue	<u>22,954</u>
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Fund Balance

Nonspendable: Prepays	11,234
Restricted for Community Development	2,691,999
Unassigned	<u>(1,922,963)</u>

Total Fund Balance 780,270

Total Liabilities, Deferred Inflows of
Resources and Fund Balance \$ 4,790,889

TOWN OF HUNTINGTON COMMUNITY DEVELOPMENT AGENCY
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2019

REVENUES

Community Development Block Grant	\$ 680,825
Program income	272,765
Lease and rental income	278,775
Miscellaneous local sources	121,206
Interest income	1,902
	<hr/>
Total Revenues	1,355,473

EXPENDITURES

Community Development Block Grant:	
Town-wide rehabilitation program	801,120
Planning and program support	173,876
Family service league	15,750
Fair Housing	9,500
Reach CYA	9,500
	<hr/>
Total Community Development Block Grant Expenditures	1,009,746

Other Expenses:

Other non-federal expenditures	349,246
Other expenditures	453,120
Interest expense	30,404
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Total Program Expenditures	1,842,516
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Net Change in Fund Balance	<hr/> (487,043) <hr/>
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Fund Balance - Beginning, as reported	979,453
Prior period adjustment	287,860
Fund Balance - Beginning, as restated	<hr/> 1,267,313 <hr/>

Fund Balance - Ending	<hr/> \$ 780,270 <hr/>
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TOWN OF HUNTINGTON COMMUNITY DEVELOPMENT AGENCY
Notes to Financial Statements

1. ORGANIZATION AND PURPOSE

Organization

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

These financial statements present only the Town of Huntington Community Development Agency, and do not purport to, and do not, present fairly the financial position of the Town of Huntington, New York, as of December 31, 2019, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

B. Measurement Focus and Basis of Accounting

The Agency uses the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when measurable and available. Available means collectible within the current period or within 60 days after year end. Expenditure-driven grants are recognized as revenues when the qualifying expenditures have been incurred and all other grant requirements have been met. Expenditures are recorded when the related liability is incurred, except for compensated absences which are recorded when due and payable. General capital asset acquisitions are reported as expenditures.

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

TOWN OF HUNTINGTON COMMUNITY DEVELOPMENT AGENCY
Notes to Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Federal Programs

The Agency receives funds to provide housing assistance to low income families in Huntington, New York through various federal programs. Programs provide grants to individuals or organizations for the purchase, construction and rehabilitation of single and multi-family residential properties. Revenue is recognized as qualifying expenditures are incurred under these programs. Funding from these programs has been fully utilized or obligated as of December 31, 2019.

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

D. Program Income

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

Under the fixed rate loan program, the individual homeowner is required to make monthly payments at a low interest rate to the Agency. As of December 31, 2019, there is one outstanding loan with a balance of \$4,976 respectively with a monthly installment of \$350. This loan is long term and is not reflected in the financial statements which are prepared on a modified accrual basis.

Under the deferred rate loan program, no monthly payments are made. However, upon death of the homeowner(s), sale or refinancing of the home, the loan is repaid by the homeowner. The money received from the repayment is credited to the rehabilitation budget and spent on the deferred rate loan program. The amounts outstanding under the deferred rate loan program as of December 31, 2019 is \$5,866,534, which is long term and is not reflected in the financial statements which are prepared on a modified accrual basis.

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

E. Lease and Rental Income

The Agency receives rental income from lease agreements on various properties it owns within the Town of Huntington. As of December 31, 2019, this property was comprised of four houses, two rental apartments, and three storefronts which are month to month cancellable leases. Rental income for these properties totaled \$153,675 for the year ended December 31, 2019.

In addition, the Agency has a land lease in which they currently receive a minimum of \$10,000 in rental income on a monthly basis for a ninety-nine year land lease which expires in the year 2100. In addition, the Agency receives \$1,000 for each unit sold on the land every year. Total income for this lease and rental for the years ended December 31, 2019 was \$125,100.

TOWN OF HUNTINGTON COMMUNITY DEVELOPMENT AGENCY
Notes to Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Miscellaneous Local Sources

Miscellaneous local source revenue primarily consists of application fees for low income housing, support of affordable housing programs, down payment assistance repayments, interest income, and miscellaneous donations. In addition, the Agency receives local funding in support of the operation of the Huntington Opportunities Resource Center ("HORC").

G. Compensated Absences

Employees of the Agency are entitled to paid vacations, sick days, and personal days off, depending on job classification, length of service and other factors. The compensated absences liability at December 31, 2019 was approximately \$85,817. The Town of Huntington, New York is responsible for the compensated absence liability of the Agency; as such the liability has been recorded on the Town of Huntington, New York's financial statements as long-term debt. Accordingly, no liability has been recorded in the accompanying balance sheet. The Agency's policy is to recognize the costs of compensated absences when actually paid.

H. Income Taxes

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

I. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and bank deposits.

J. Rental Receivables

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

K. Due from Other Governments

This amount represents amounts owed to the Agency for the community development block grant.

L. Prepaids

This amount represents prepayments of expenses for health insurance and property insurance.

M. Property Held for Resale

As of December 31, 2019, the Huntington Community Development Agency (HCDA) owned one property totaling \$3,385,855 purchased with construction loan proceeds, local sources from the primary government, state and federal aid, for the purpose of resale to individuals in accordance with the affordable housing program. This property, known as Columbia Terrace, will have preference for veterans, and will provide fourteen new condo units for first time homebuyers. The Agency expected to sell the property in 2020 and therefore has classified the property for resale as a current asset.

TOWN OF HUNTINGTON COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Due to Primary Government

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

O. Construction Loan Payable

As of December 31, 2019, the Agency has a construction loan payable for the construction of Columbia Terrace totaling \$1,859,986 from a financial institution. Interest rates on the loan ranged from 1.75% to 4.75%.

	Balance *1/1/2019	Increases	Reductions	Balance 12/31/2019
Construction Loan Payable	\$ 500,000	\$ 1,359,986	\$	\$ 1,859,986

* Balance as restated at 1/1/2019.

P. Deferred Inflows of Resources

Deferred inflows of resources represent \$22,954 to be used for advertising of affordable housing units in a future period and will not be recognized as revenue until that purpose has been met.

Q. Fund Balance Classifications

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

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

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

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

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

TOWN OF HUNTINGTON COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Balance Classifications (Continued)

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

R. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balance

The Agency has an unassigned fund balance (deficit) of (\$1,922,963) at December 31, 2019. The Board and management of the Agency are addressing this deficit through a multi-year plan. As part of this plan, the Agency shall receive a 1% administration fee to monitor the sale or resale and rental of certain incoming affordable units, as well as a set administration fee for certain incoming affordable rental units, in compliance with the Town of Huntington Affordable Housing Law. The anticipated administration fee for this monitoring is expected to offset the Agency's deficit and the amount due to the Town. In 2015, the Agency entered into memorandum of understanding agreements with the Town of Huntington Economic Development Corporation and the Town of Huntington Local Development Corporation to receive local funding in support of the HOCR to assist in the support of programs for the unemployed and underemployed residents of the Town of Huntington. In addition, the Agency is currently investigating the feasibility of disposing of real property to address and mitigate future budgetary concerns. Currently, the Agency is in the process of the construction of Columbia Terrace Veterans Housing Development, a 14 unit affordable housing condominium complex, which is expected to result in a net gain on sale of approximately \$.5 million.

4. CASH EQUIVALENTS

Cash in Banks

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

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

TOWN OF HUNTINGTON COMMUNITY DEVELOPMENT AGENCY
Notes to Financial Statements

4. CASH EQUIVALENTS (Continued)

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

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

5. RELATED PARTY TRANSACTIONS

The Agency is related through a common board with the Town of Huntington. The Town Board serves as the Directors of the Agency. The Agency has certain expenses paid for by the Town of Huntington, who then bills the Agency for the amounts paid. The net amount due to the Town of Huntington (payable) at December 31, 2019 is \$1,835,499.

6. COMMITMENTS AND CONTINGENCIES

The Agency receives a substantial portion of its funding from contracts and grants which are subject to reviews and audits by government agencies. Such reviews and audits may result in withholding of funds or disallowances and a request for a return of funds.

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

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

Years ending December 31, 2020	\$ 120,000
2021	134,167
2022	140,000
2023	140,000
2024	140,000
2025	16,280,833
2026 and thereafter	<u>\$ 16,955,000</u>

In 2015, the Agency entered into a Memorandum of Understanding ("MOU") with Huntington Local Development Corporation ("LDC") and Huntington Economic Development Corporation, in support of the Agency's operation of the HORC. The HORC was launched by the Agency in conjunction with the County of Suffolk's Departments of Labor and Social Services to assist the unemployed and underemployed residents of the Town of Huntington in the areas of employment readiness and job training. The amount of support is discretionary and may vary from year to year. In 2019, the Agency received no financial support in connection with these MOU's.

In late 2018, the Agency began construction on the Columbia Terrace Veterans Housing Development a 14 unit affordable housing condominium complex. The agency has a construction loan payable related to this property amounting to \$1,859,986 and has classified the property as property held for resale in the amount of \$3,385,855. This property is expected to be sold in 2020 and result in a net gain on the sale of approximately \$500,000.

TOWN OF HUNTINGTON COMMUNITY DEVELOPMENT AGENCY
Notes to Financial Statements

7. Prior Period Restatement

The Agency's net position was restated as of December 31, 2018 in the amount of \$287,860 based on construction loan proceeds being included as revenues and property held for resale being included as expenditures.

Beginning of year, as reported	\$	979,453
Restatement of property held for resale and construction loan payable	\$	<u>287,860</u>
Beginning of year, as restated	\$	<u><u>1,267,313</u></u>

8. SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken global and specifically in New York State to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Agency operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Agency, the Agency is expecting this matter to negatively impact its revenues, its expenditures.

9. NEW PRONOUNCEMENTS

Statement No. 83, "*Certain Assets Retirement Obligations*", as amended by Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*", establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for asset retirement obligations. It also addresses that measurement of both the asset retirement obligation and deferred outflows of resources should be based on the estimated of the current value of expected outlays. The requirements of this become effective for the Agency the year ending December 31, 2020.

Statement No. 84, "*Fiduciary Activities*", as amended by Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*", establishes criteria for identifying fiduciary activities of all state and local governments. The criteria focus is generally on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. The Statement establishes the four fiduciary funds that should be reported (as applicable): (1) pension and other employee benefit trust funds, (2) investment trust funds, (3) private purpose trust funds, and (4) custodial funds. The requirements of this become effective for the Agency the year ending December 31, 2020.

TOWN OF HUNTINGTON COMMUNITY DEVELOPMENT AGENCY
Notes to Financial Statements

9. NEW PRONOUNCEMENTS (Continued)

Statement No. 87, *"Leases"*, as amended by Statement No. 95, *"Postponement of the Effective Dates of Certain Authoritative Guidance"*, establishes accounting and financial reporting of leases. It requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. For leases with terms in-excess of 12 months, the Statement requires the lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for financial statements for the year ending December 31, 2022.

Statement No. 88, *"Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements"*, as amended by Statement No. 95, *"Postponement of the Effective Dates of Certain Authoritative Guidance"*, was issued to improve information disclosed in the notes to financial statements related to debt and clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for financial statements for the year ending December 31, 2020.

Statement No. 89, *"Accounting for Interest Cost Incurred before the End of a Construction Period"*, as amended by Statement No. 95, *"Postponement of the Effective Dates of Certain Authoritative Guidance"*, requires that interest costs incurred before the end of a construction period be recognized as an expense. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset recorded in a business-type activity or enterprise fund. The requirements of this Statement are effective for financial statements for the year ending December 31, 2021.

Statement No. 90, *"Majority Equity Interests - an Amendment of GASB Statements No. 14 and 61"*, as amended by Statement No. 95, *"Postponement of the Effective Dates of Certain Authoritative Guidance"*, provides guidance regarding the accounting and financial reporting of a government's majority equity interest in a legally separate organization. The requirements of this Statement are effective for financial statements for the year ending December 31, 2020.

Statement No. 91, *"Conduit Debt Obligations"*, as amended by Statement No. 95, *"Postponement of the Effective Dates of Certain Authoritative Guidance"*, - This statement to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for financial statements for the year ending December 31, 2022.

Statement No. 92, *"Omnibus 2020"*, as amended by Statement No. 95, *"Postponement of the Effective Dates of Certain Authoritative Guidance"*, - The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The requirements of this Statement are effective for reporting periods as follows: paragraph 4,5,6,7,8,9,10 and 12 are effective for the year ending December 31, 2022.

Statement No. 93 *Replacement of Interbank Offered Rates*, as amended by Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, amends certain provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* as amended, and 87, *Leases*. It has been issued to address the various accounting and reporting implications that will result from the replacement of LIBOR, as LIBOR will cease to exist in 2021. The requirement of this Statement are effective for the year ending December 31, 2022.

TOWN OF HUNTINGTON COMMUNITY DEVELOPMENT AGENCY
Notes to Financial Statements

9. NEW PRONOUNCEMENTS (Continued)

Governmental Accounting Standards Board (GASB) 94 issued authoritative guidance GAS Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, this Statement has been issued to improve financial reporting related to public-private and public-public partnership arrangements, in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for the year ending December 31, 2023.

Governmental Accounting Standards Board (GASB) 96 issued authoritative guidance GAS Statement No. 96 *Subscription-Based Information Technology Arrangements*, this Statement has been issued to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscriptions asset-an intangible asset- and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementations costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for the year ending December 31, 2023.

Governmental Accounting Standards Board (GASB) 97 issued authoritative guidance GAS Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457, Deferred Compensation Plans* an amendment of GASB Statements No. 14 and No. 84 and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related in the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for reporting periods as follows: paragraph 4 as it applies to defined contribution pension plans, defined contribution OPEB plans and other employee benefit plans and paragraph 5 are effective immediately, all other requirements of this Statement are effective for the year ending December 31, 2022.

The agency is currently evaluating the impact of the aforementioned GASB Statements on its financial statements.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF HUNTINGTON COMMUNITY DEVELOPMENT AGENCY
Schedule of Assets Owned
December 31, 2019

Commercial property (Building) 1: Huntington Station, NY	(a)	\$ 1,500,000	November 2005 Appraisal
Commercial property -under construction: Huntington Station, NY	(b)	4,163,855	Historical Cost
Residential property 1: Huntington Station, NY	(a)	225,000	Market Evaluation by Realtor
Residential property 2: Huntington Station, NY	(a)	260,000	October 2014 Appraisal
Residential property 3: Huntington Station, NY	(a)	200,000	Market Evaluation by Realtor
Residential property 4: Huntington Station, NY	(a)	<u>200,000</u>	Market Evaluation by Realtor
Total value of property owned		<u>\$ 6,548,855</u>	

(a) As of December 31, 2019 there are no liens, judgments or mortgages on these properties.

(b) As of December 31, 2019 there was an outstanding construction loan of \$1,859,986 on this property.



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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Town of Huntington Community Development Agency (the "Agency"), a component unit of the Town of Huntington, New York, which comprise the balance sheet as of December 31, 2019, and the related statement of revenues, expenditures and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 20, 2020.

Internal Control Over Financial Reporting

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

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

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

BEYOND THE NUMBERS...

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

about, Vijay, Zeh & Conny P.C.

Hauppauge, New York
August 20, 2020