

**TOWN OF HUNTINGTON
COMMUNITY DEVELOPMENT AGENCY**

AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2018

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the Town of Huntington Community Development Agency (the "Agency"), which is a blended component unit reported as a nonmajor governmental special revenue fund of the Town of Huntington, New York, as of and for the year ended December 31, 2018, 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.

Auditors' 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. 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 auditors' 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 Agency'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 Agency'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.

BEYOND THE NUMBERS...

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Opinions

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 nonmajor governmental special revenue fund of the Town of Huntington, New York, as of December 31, 2018, and the respective changes in financial position 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 financial statements present only the Town of Huntington Community Development Agency, which is a blended component unit reported as a nonmajor governmental special revenue fund of the Town of Huntington, 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, 2018 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 15 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Huntington Community Development Agency's basic financial statements.

Other Matters (continued)

Other Information (continued)

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2019, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's 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.

Albert, Virginia, Zach & Garry P.C.

Hauppauge, New York
May 29, 2019

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 year ended December 31, 2018. Please read this in conjunction with the financial statements and the accompanying notes to those statements.

FINANCIAL HIGHLIGHTS

- The Agency's fund balance was \$979,453 at December 31, 2018 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 15 identifies long-term assets owned by the Agency as of December 31, 2018.
- The Agency's total assets increased by \$2,007,398 during 2018. The increase was primarily due to bank and local funding received for the construction of Columbia Terrace, an affordable housing complex consisting of 14 units with veteran's preference less the 2018 construction costs.

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.

BALANCE SHEETS

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

	<u>2018</u>	<u>2017</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Assets	<u>\$ 2,415,523</u>	<u>\$ 408,125</u>	<u>\$ 2,007,398</u>	491.86 %
Liabilities	<u>\$ 1,413,116</u>	<u>\$ 1,383,260</u>	<u>\$ 29,856</u>	2.16 %
Deferred Inflows of Resources	<u>\$ 22,954</u>	<u>\$ 22,954</u>	<u>\$ -0-</u>	0.00 %
Fund Balance (Deficit)	<u>\$ 979,453</u>	<u>\$ (998,089)</u>	<u>\$ 1,977,542</u>	(198.13)%

**TOWN OF HUNTINGTON
COMMUNITY DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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,

	<u>2018</u>	<u>2017</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Revenues	\$ 3,995,744	\$ 1,735,635	\$ 2,260,109	130.22 %
Expenditures	<u>2,018,202</u>	<u>1,664,778</u>	<u>353,424</u>	21.23 %
Change in Fund Balance	1,977,542	70,857	1,906,685	2690.89 %
Fund Balance, (Deficit) January 1	<u>(998,089)</u>	<u>(1,068,946)</u>	<u>70,857</u>	(6.63)%
Fund Balance, (Deficit) December 31	<u>\$ 979,453</u>	<u>\$ (998,089)</u>	<u>\$ 1,977,542</u>	(198.13)%

The Agency reported excess of revenues over expenditures this year of \$1,977,542 increasing its fund balance from \$(998,089) to \$979,453. Increase in revenues and expenditures is primarily attributable to the Columbia Terrace project.

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. This federal funding represents a significant portion of total revenues. Federal revenues are anticipated to be relatively stable in the next budget period. However, it is difficult to anticipate what total federal funding will be. Should federal funding be less than anticipated, this could have a negative impact on Agency operations.

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, 2018

ASSETS

Cash	\$ 280,293
Cash - restricted	2,086,955
Rental receivables	23,826
Due from other governments	12,317
Prepays	<u>12,132</u>
Total Assets	<u><u>\$ 2,415,523</u></u>

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

Liabilities

Accounts payable	\$ 93,333
Due to Primary Government	1,300,106
Accrued expense	367
Escrow deposits	6,500
Security deposits	<u>12,810</u>
Total Liabilities	<u>1,413,116</u>

Deferred Inflows of Resources

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

Nonspendable: Prepays	12,132
Restricted for Community Development	2,086,955
Unassigned	<u>(1,119,634)</u>
Total Fund Balance	<u>979,453</u>

Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u><u>\$ 2,415,523</u></u>
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TOWN OF HUNTINGTON
COMMUNITY DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year Ended December 31, 2018

REVENUES

Community Development Block Grant	\$ 636,632
Program income	124,905
Lease and rental income	292,961
Miscellaneous local sources	2,440,395
Proceeds from debt	500,000
Interest income	<u>851</u>
Total Revenues	<u>3,995,744</u>

EXPENDITURES

Community Development Block Grant:	
Town-wide rehabilitation program	472,273
Planning and program support	176,327
Family service league	15,000
Reach CYA	<u>9,000</u>
Total Community Development Block Grant Expenditures	672,600
Other Expenses:	
Other non-federal expenditures	925,437
Other expenditures	419,217
Interest expense	<u>948</u>
Total Program Expenditures	<u>2,018,202</u>
Net Change in Fund Balance	1,977,542
Fund Balance (Deficit) - January 1	<u>(998,089)</u>
Fund Balance - December 31	<u><u>\$ 979,453</u></u>

**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, 2018, 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, 2018.

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, 2018, there is one outstanding loan with a balance of \$6,076 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 amount outstanding under the deferred rate loan program as of December 31, 2018 is \$5,368,880, 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, 2018, 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 \$165,075 for the year ended December 31, 2018.

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 99 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 year ended December 31, 2018 was \$127,886.

**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, 2018 was approximately \$162,314. 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 sheets. 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. 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.

**TOWN OF HUNTINGTON
COMMUNITY DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. 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.

O. 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's remaining fund balance after nonspendable fund balance is restricted due to guidelines for federal aid and the Columbia Terrace construction project.

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.

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

P. Estimates

The preparation of the financial statements in accordance 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.

**TOWN OF HUNTINGTON
COMMUNITY DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS**

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balance

The Agency has an unassigned fund balance (deficit) of (\$1,119,634) at December 31, 2018. 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, an affordable housing complex consisting of 14 units with veteran's preference, 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:

- 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.

**TOWN OF HUNTINGTON
COMMUNITY DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS**

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, 2018 is \$1,300,106.

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 99 year land lease which expires in the year 2100.

Years ending December 31, 2019	\$	120,000
2020		120,000
2021		134,167
2022		140,000
2023		140,000
Thereafter		<u>16,420,833</u>
		<u>\$ 17,075,000</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 late 2018, the Agency began construction on the Columbia Terrace Veterans Housing Development, a 14-unit affordable housing condominium complex. The Agency has received \$2.5 million in funding for the construction of Columbia Terrace as of December 31, 2018. A \$2 million transfer from the Affordable Housing Trust and \$500,000 from a construction bank loan. The remainder of funding for the project originates from the awarded \$1.56 million Empire State Development grant. The Agency has a \$1.6 million note payable to cover construction costs as the grant is paid in full once construction has been completed. There are no outstanding amounts on this note as of December 31, 2018. Construction costs as of December 31, 2018 totaled \$640,218. This project is expected to be completed by the fall of 2019 and result in a net gain on sale of approximately \$500,000.

7. SUBSEQUENT EVENTS

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

**TOWN OF HUNTINGTON
COMMUNITY DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS**

8. NEW PRONOUNCEMENTS

Statement No. 84, *"Fiduciary Activities"*, the objective of which is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018.

Statement No. 87, *"Leases"*, the objective of which is to improve accounting and financial reporting for leases by governments. This Statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019.

Statement No. 88, *"Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements"*, the objective of which is to improve the information that is disclosed in notes to the district financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2018.

Statement No. 89, *"Accounting for Interest Cost Incurred before the End of a Construction Period"*, the objective of which is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019.

Statement No. 90, *"Majority Equity Interests"*, the objective of which is to provide financial reporting users with information related to the presentation of majority equity interests in legally separate organizations. In addition, this statement required the reporting information about component units if the government acquires 100% equity interest about the cost of services to be provided by the component unit in relation to the consideration provided to acquire the component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

The Agency will evaluate the impact these pronouncements may have on its financial statements and will implement them as applicable and when material.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF HUNTINGTON
COMMUNITY DEVELOPMENT AGENCY
SCHEDULE OF ASSETS OWNED
December 31, 2018

Commercial property (Building) 1: Huntington Station, NY	(a)	\$ 1,500,000	November 2005 Appraisal
Commercial property - under construction: Huntington Station, NY	(b)	1,418,218	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>\$ 3,803,218</u>	

(a) As of December 31, 2018, there are no liens, judgments or mortgages on these properties.

(b) As of December 31, 2018, there was an outstanding construction loan of \$500,000 on this property.

OTHER INFORMATION

TOWN OF HUNTINGTON
COMMUNITY DEVELOPMENT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2018

<u>Federal Grantor/Program</u>	<u>Federal CFDA No.</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Community Development Block Grant	14.218	<u>\$ 24,000</u>	<u>\$ 672,600</u>

TOWN OF HUNTINGTON
COMMUNITY DEVELOPMENT AGENCY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2018

A. General

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs administered by the Town of Huntington Community Development Agency (the "Agency"), which is described in Note 2 to the Agency's accompanying financial statements, using the modified accrual basis of accounting. Because the schedule presents only the operation of the Town of Huntington Community Development Agency, it is not intended to and does not present the expenditures of federal awards of the Town of Huntington. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through other government agencies. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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

Expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through numbers are presented where available.

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

B. Subrecipients

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

<u>Program Title</u>	<u>Federal CFDA No.</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant	14.218	<u>\$ 24,000</u>

C. Other Disclosures

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

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



INDEPENDENT AUDITORS' 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, 2018, 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 May 29, 2019.

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. According, this communication is not suitable for any other purpose.

Almut, Vezir, Zeh & Gony P.C.

Hauppauge, New York
May 29, 2019



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Huntington Community Development Agency's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Town of Huntington Community Development Agency's major federal programs for the year ended December 31, 2018. The Town of Huntington Community Development Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Huntington Community Development Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Huntington Community Development Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

In our opinion, the Town of Huntington Community Development Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control over Compliance

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

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

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

Purpose of this Report

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

Alunt, Viggo, Zak & Garry PS

Hauppauge, New York
May 29, 2019

**TOWN OF HUNTINGTON
COMMUNITY DEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2018**

1. SUMMARY OF AUDITORS' RESULTS

- A. The auditor's report expresses an unmodified opinion on the financial statements.
- B. No significant deficiencies in internal control were disclosed by the audit of the financial statements.
- C. No instances of noncompliance material to the financial statements were disclosed during the audit.
- D. No significant deficiencies in internal control over major programs were disclosed by the audit.
- E. The auditors' report on compliance for the major programs expresses an unmodified opinion.
- F. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in Part 3 of this Schedule.
- G. The program tested as a major program was:

U.S. Department of Housing and Urban Development
Community Development Block Grant

CFDA No. 14.218

- H. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- I. The Town of Huntington Community Development Agency qualified as a low-risk auditee.

2. FINANCIAL STATEMENTS FINDINGS

There are no findings to be reported.

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no findings or questioned costs to be reported.