

**FREEPORT**  
**COMMUNITY DEVELOPMENT AGENCY**  
*(A Component Unit of the Incorporated Village of Freeport, New York)*

**FINANCIAL STATEMENTS**  
*For the Year Ended February 29, 2012*



**Prepared by:**  
**The Village of Freeport**  
**Community Development Agency**

**THE VILLAGE OF FREEPORT  
COMMUNITY DEVELOPMENT AGENCY  
FREEPORT, NEW YORK**

A COMPONENT UNIT OF  
THE INCORPORATED VILLAGE OF FREEPORT, NEW YORK

*FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 29, 2012*



**Prepared by:  
The Village of Freeport  
Community Development Agency**

## TABLE OF CONTENTS

### BASIC FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT .....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	3
<b>BASIC FINANCIAL STATEMENTS: GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>	
STATEMENT OF NET POSITION .....	11
STATEMENT OF GOVERNMENTAL ACTIVITIES .....	12
<b>BASIC FINANCIAL STATEMENTS: FUND FINANCIAL STATEMENTS</b>	
GOVERNMENTAL FUND BALANCE SHEET .....	13
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND TO THE STATEMENTS OF NET POSITION .....	14
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE .....	15
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES .....	16
NOTES TO FINANCIAL STATEMENTS .....	17
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING .....	32
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM, INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 .....	34
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	37
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	38
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS .....	40

## BASIC FINANCIAL STATEMENTS



## INDEPENDENT AUDITORS' REPORT

Hon. Andrew Hardwick Chairman  
Mr. Norman Wells, Executive Director  
and the Members of the Board of Commissioners  
Freeport Community Development Agency  
Freeport, New York

We have audited the accompanying financial statements of the governmental activities of the Freeport Community Development Agency, a component unit of the Incorporated Village of Freeport, as of and for the year ended February 29, 2012, which collectively comprise the Freeport Community Development Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Freeport Community Development Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Freeport Community Development Agency, as of February 29, 2012, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2012, on our consideration of the Freeport Community Development Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic

financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Freeport Community Development Agency's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Garden City, NY

TABRIZCHI & Co., CPA, P.C.

May 31, 2012

**FREEPORT COMMUNITY DEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED FEBRUARY 29, 2012**

**INTRODUCTION**

The Freeport Community Development Agency ("CDA") is a public benefit corporation which was created by New York State Legislation in 2010 under Section 620 of the General Municipal law, as amended by chapter 169 of the laws of 1976. As of and prior to the fiscal year ended February 28, 2010, all activities of the Freeport Community Development Agency were presented under the Incorporated Village of Freeport Community Development Fund, a major special revenue fund of the Incorporated Village of Freeport ("the Village of Freeport"). In 2010, the Freeport Community development Agency was established as a legally independent unit of the Village of Freeport by the New York State Legislature. For the fiscal year ended February 29, 2011 and 2012, all activities of the Freeport Community Development Agency are presented as the activities of a separate component unit of the Village of Freeport.

The Agency is an independent entity from the Village of Freeport government, the Mayor appoints all members of the CDA Board of Commissioners. The Board of CDA consists of the Mayor, who acts as chairman and four other commissioners appointed by the Mayor. The Mayor appoints the Executive Director who administers the agency with assistance of the CDA Coordinator and the Administrative Assistant.

Mission of the CDA is to engage in Economic Development, Downtown Revitalization, Public Service Programs, and Moderate to Low Income Housing Rehabilitation in the Village of Freeport.

The Agency functions as a key component; a partner, advisor and/or participant in a variety

of efforts to improve the quality of life for a diverse community of business owners, stakeholders, and residents. The Agency works to maintain a sustainable, vibrant, safe, walkable, transit-oriented community that renews the spirit of every Freeport resident.

We encourage readers to consider the information presented here in conjunction with the Agency's basic financial statements that follow.

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the CDA's basic financial statements.

The CDA's basic financial statements are comprised of three components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements. Such other supplementary information is not required but is provided for additional analysis.

**Government-wide Financial Statements**

The government-wide financial statements are designed to present a broad overview of the financial position of the CDA in a manner analogous to a private-sector business. These statements consist of the Statement of Net position and the Statement of Activities and are prepared using the economic resources measurement focus and the accrual basis of accounting, as opposed to the modified accrual basis used in prior reporting models. This

means that all the current year's revenues and expenses are included regardless of when cash is received or paid, producing a view of financial position similar to that presented by most private-sector companies.

The Statement of Net position consolidates reporting of the CDA's current financial resources with reporting of capital assets and long-term obligations, and thus summarizes all of the CDA's assets and liabilities. Net position is the difference between the CDA's assets and liabilities; it is one measure of the CDA's financial health. In evaluating the net position of the CDA, other non-financial factors affecting the CDA's overall health and financial condition should be considered, such as changes in demographics and economic conditions, the condition (i.e. residential and commercial conditions and development requirements)

The Statement of Activities presents the change in net position of the CDA during the most recent fiscal year. All of the current year's revenues and expenses are recognized regardless of when cash is received or paid. Some of the reported revenues and expenses will have corresponding cash flows in future fiscal periods (e.g. deferred revenues and earned but not used vacation leave). The Statement of Activities focuses on both the gross and net cost of various activities; the CDA's revenues pay these costs. This statement summarizes the cost of providing (or the subsidy provided by) specific government services and includes all current year revenues and expenses.

In the Statement of Net Position and the Statement of Activities, pages 11 and 12, the activities of CDA are comprised only of Governmental activities for reporting purposes.

Governmental Activities are CDA's basic home and community services including economic development, commercial and residential rehabilitation, public facilities improvement, culture and recreation. Federal aid and

program income from sale of properties or collection of economic development loans finance these activities.

The government-wide financial statements can be found in pages 12-13 of this report.

### **Fund Financial Statements**

A 'fund' is a self-balancing accounting entity. The CDA uses separate funds to keep track of sources of financing and spending related to specific activities. The Agency, similar to other state and local governments uses fund accounting to ensure and disclose compliance with finance-related laws and regulations.

Fund financial statements present financial information in a form familiar to experienced users of governmental financial statements. The CDA has a single governmental fund, the General Fund, required by the State of New York.

### **Governmental Fund**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements utilize the modified accrual basis of accounting, which measures cash and other assets that can be readily converted to cash. The CDA has only one fund, its general fund.

The governmental fund statements provide a detailed short-term view of the CDA's general governmental operations and the basic services it provides. The fund financial statements focus on near-term inflows and outflows of spendable resources and the spendable resources available at the end of the fiscal year for the CDA's programs.

Because the focus of governmental funds is narrower than that of the government-wide



financial statements, it is useful to compare the information presented in governmental funds with similar information presented for governmental activities in government-wide financial statements. There are reconciliations following the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance. These reconciliations explain the difference between the government-wide Statement of Net Position and the governmental fund Balance Sheet, as well as the difference between the government-wide Statement of Activities and the governmental Statement Revenues, Expenditures and Changes in Fund Balance.

The basic governmental fund financial statements are presented on pages 13-16 of this report.

### Notes to the Financial Statements

The notes supply information that is essential to a full understanding of the data in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements, pages 17-30.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

#### Financial Highlights

Management believes that the CDA's financial condition remained strong but there was some decrease in the net position. The following list encapsulates significant elements of the CDA's financial performance for fiscal years ended February 29, 2012 (fiscal year 2011) and February 28, 2011 (fiscal year 2010).

- The CDA had total assets of \$4,170,145 at February 29, 2012, which decreased by \$141,603 (3%) from \$4,311,748, on February 28, 2011. This decrease was a result of \$132,604 decrease in amounts due from the Village of Freeport and \$89,440 in cash as offset by \$80,441 increase in

Community Development Block Grants receivable from the County of Nassau.

- The CDA's net position of governmental activities decreased by \$200,950 (7%) from \$2,967,466 on February 28, 2011 to \$2,766,516 on February 29, 2012. This decrease in net position was the result of expenses exceeding the revenues. The CDA's net position is all restricted to the expenditures that are eligible under the compliance requirements of the Community Development Block Grant, awarded by the US Department of Housing and Urban Development, Passed through the County of Nassau, Department of Community Development.
- The CDA's total governmental activities liabilities were \$1,403,629. The long-term debt of \$251,976 represented other post-employment liabilities (OPEB), which had increased by \$23,672 (10%), during the fiscal year ended February 29, 2012, as compared to February 28, 2011.
- The Current liabilities of the Agency increased by \$35,675 (3%), from \$1,115,978 on February 28, 2011 to \$1,151,653, on February 29, 2012, as a net result of the increase in accounts payable.

#### Net position

On February 29, 2012, total assets of the governmental activities were \$4,170,145 while total liabilities were \$1,403,629, resulting in net position of \$2,766,516 (Table 1 and Charts 1 and 2). The operating capital assets of the CDA are provided by and are the properties of the Village of Freeport.

**TABLE 1**

SUMMARY OF NET POSITION AS OF FEBRUARY 29, 2012 AND FEBRUARY 28, 2011		
	2012	2011
<b>Assets</b>		
Current and other assets	\$ 4,170,145	\$ 4,311,748
<b>Total Assets</b>	<b>4,170,145</b>	<b>4,311,748</b>
<b>Liabilities</b>		
Long term liabilities outstanding	251,976	228,304
Other liabilities	1,151,653	1,115,978
<b>Total liabilities</b>	<b>1,403,629</b>	<b>1,344,282</b>
<b>Net position</b>		
Restricted	\$ 2,766,516	\$ 2,967,466

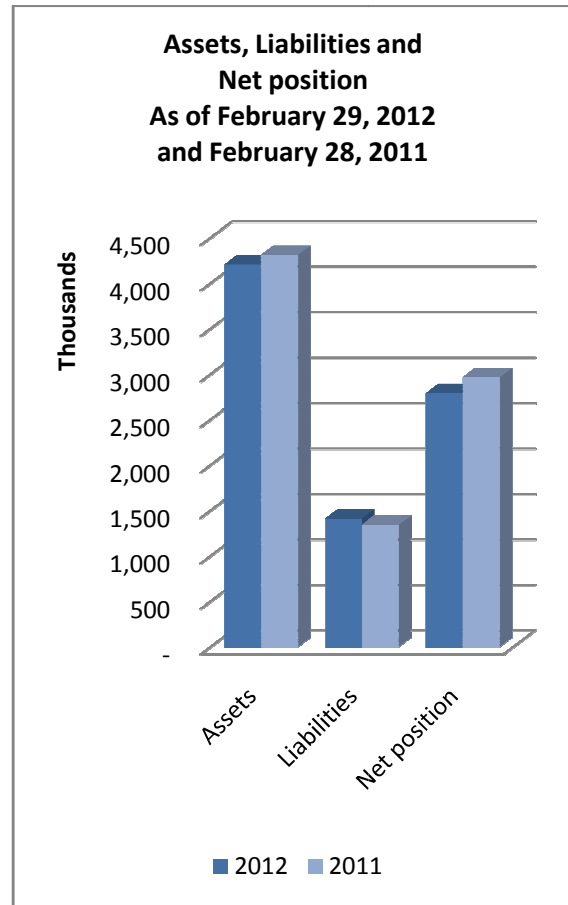
As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the CDA, assets exceeded liabilities by \$2,766,516 and \$2,967,466 at the close of the 2011 and 2010 fiscal years, respectively, which reflect a decrease of net position of \$200,950 (7%) in 2011 compared to the prior fiscal year. This was the net result of expenses of \$1,219,220 exceeding the revenues of \$922,907 and the transfer-in of \$95,000 from the Village of Freeport.

The largest category of CDA assets is its investment in land and real property held for sale, which was \$3,654,953 and accounted for 87% of the total assets, on February 29, 2012.

The major liability of the Agency is the amount of \$911,261 due to the Village of Freeport that represented 65% of the total liabilities and 22% of total assets, on February 29, 2012. This amount represents the net balance of reimbursable community development and administrative expenses of the CDA that were advanced by the Village of Freeport. The amount due to the Village of Freeport decreased by \$36,017 (4%), from \$947,279 on

February 28, 2011. The amount due to Village of Freeport is attributable the amounts paid by the Village of Freeport on behalf of the CDA, for medical insurance and for various program and administrative expenses. Since August 2010, the Board of Commissioners has adopted the policy of reviewing previous balance due to the Village of Freeport, making the required adjustment and paying off the amounts which are ascertained.

**CHART 1**



The CDA’s net restricted assets of \$2,766,516 for the current year represent resources that are subject to external restrictions on how they may be utilized. These restrictions are primarily related to the compliance requirements of the Community Development Block Grant (Chart 2).

## Changes in Net position

The total program revenues from operating grants were \$922,907, in 2011 as compared to \$728,992, in 2010 (Table 2 and Chart 2). The program revenues from operating grants increased by \$193,915 (27%) from \$728,992 reported at the end of 2010. The increase in program revenues in 2011 was primarily due to the increase in related expenses, in particular for residential rehabilitation. The program revenues from operating grants had decreased in 2010 by \$782,176 (52%) from \$1,511,169 reported at the end of 2009. The decrease in program revenues in 2010 was primarily due to the decrease in related expenses and the completion of the New York State Department of Transportation funded N. Main Street project. The Agency's program revenues are expenditure driven.

Larger expenditures were made for commercial and residential rehabilitation projects in 2011 as compared to 2010. The commercial rehabilitation expenses were \$355,832 in 2011 as compared to \$339,739 in 2010. The 2011 commercial rehabilitation expenses exceeded 2010 by \$16,093 (5%). The commercial rehabilitation expenses were \$840,743 in 2009 as compared to \$339,739 in 2010. The 2009 commercial rehabilitation expenses exceeded 2010 by \$501,004 (60%).

The CDA has participated in the development of the Master Plan for the Village of Freeport's North Main Street Corridor and Station Area and has integrated its community development activities with the developing vision of this plan. The project area of the master Plan includes the entire length of North Main Street from Freeport's northern border at Roosevelt to its terminus at Sunrise Highway. In previous years, the CDA has contributed to the funding of the planning and design of the Plan and substantial part of the commercial rehabilitation expenditures in 2011 were related to the development of North Main Street properties.

The Master Plan envisions the development of about 168,000 square feet of new retail and more than 63,000 square feet of new commercial space, which will open up a variety of new employment opportunities in the heart of the Village.

Implementation of the plan is laid out over three phases, with initial work being completed within a year or less. Full implementation could take up to 10-15 years, depending on economic conditions.

The residential rehabilitation expenses of 12 houses and multifamily unit in 2011 and 8 houses in 2010 were \$241,075 and \$98,701, respectively. The 2011 residential rehabilitation expenses exceeded 2010 by \$142,374 (144%). The residential rehabilitation expenses of 18 houses in 2009 were \$300,681. The 2009 residential rehabilitation expenses were \$201,980 more than 2010.

The expenditures for public service, public facilities improvement and summer jobs for youth increased by \$9,804 (6%) from \$155,210, in 2010 to \$165,014 in 2011. The expenditures for public service had increased by \$25,035 (19%) from \$130,174, in 2009 to \$155,210, in 2010. According to the CDBG compliance requirements the public service expenditures cannot exceed 15% of the total expenditures.

The expenditures for public services were primarily to provide assistance to nonprofit organizations which are engaged in providing educational and recreational services for youth and food and shelter for the persons in need.

The public service grants mostly range from \$5,000 to \$10,000 and are used to subsidize the operating costs and improve the facilities of the recipient organizations. The organizations that have received aid from the CDA has included the following: Interfaith Nutrition Network, African Atlantic Genealogical Soc., Long Island Cares, Inc. , Our Holy Redeemer, Nassau County Coalition, Harvest For The World, Hi-Hello Child

Care Center, Freeport Historical Society, Freeport Pride, Inc. , Freeport Little League, Village of Freeport Housing Authority, Island Harvest, Girl Scouts of Nassau County, The Cedarmore Corporation, Potter’s Association for Youth & Adults, Inc., E.O.C., Inc. and Eager To Serve (ETS).

According to the CDBG compliance requirements the public service expenditures from CDBG funds cannot exceed 15% of the total expenditures.

**TABLE 2**

Changes in Net Position Years Ending, February 29, 2012 and February 28, 2011				
	2012		2011	
<b>Revenues:</b>				
Operating grants and contribution	\$	922,907	\$	728,992
Interest		363		478
Total revenues		923,270		729,470
<b>Expenditures:</b>				
Community development		1,219,220		1,091,727
Decrease in net position before transfers		(295,950)		(362,257)
Transfers		95,000		95,000
Decrease in net position		(200,950)		(267,257)
Net position, beginning		2,967,466		3,234,723
Net position, ending	\$	2,766,516	\$	2,967,466

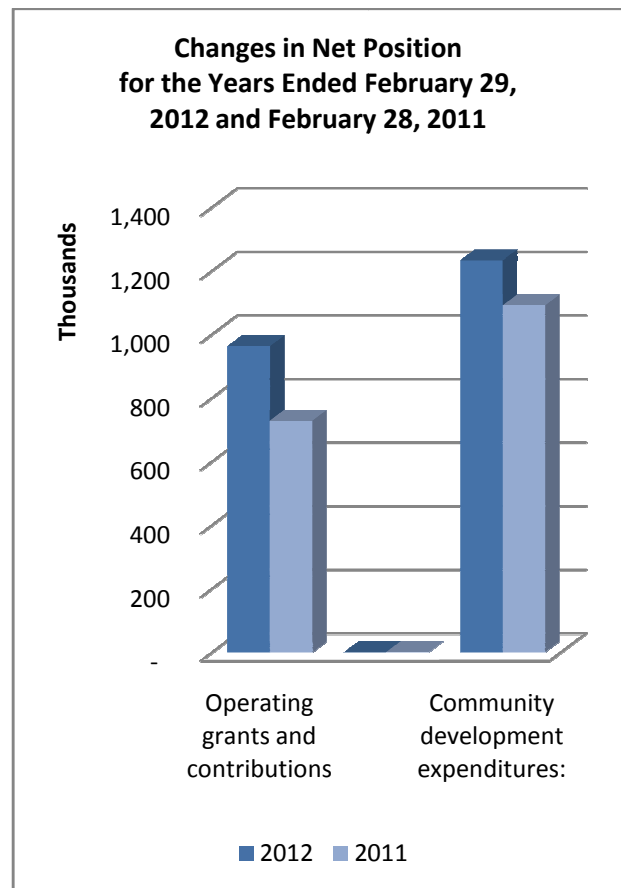
**Governmental Fund**

Total assets in the Agency’s General Fund were \$4,170,145 on February 28, 2012 as compared to \$4,311,748, on February 28, 2011. The decrease of \$141,603 (3%) is the net result of decrease in cash and amounts due from Village of Freeport and increase of grants receivable from the County of Nassau.

Total liabilities of the General Fund increased by \$22,340 (1%), from \$4,724,948 in 2010 to \$4,747,288. The decrease was the net result of an increase of \$58,256 (48%) in accounts payable and accrued expenses and a decrease of \$36,017 (4%) in the amounts due to the Village of Freeport for reimbursable expenses.

The Agency unrestricted fund balance deficit increased by \$163,943 (40%), from \$413,200, on February 28, 2011, to \$577,143, on February 29, 2012. The deficit essentially reflects the net liability to the Village of Freeport. The Agency’s cash and receivables from the county and Village exceeded the amount of accounts payable and accrued expenses by \$270,723 and \$338,078, on February 29, 2012 and 2011, respectively.

**CHART 2**



The decrease in the fund balance was the net result of \$1,182,213 of expenditures exceeding the CDBG grant revenues of \$922,907, transfers from the Village of Freeport of \$95,000 and interest income of \$363.

The revenues, which were substantially expenditure driven, increased by \$193,915 (27%), from \$729,470, in 2010 to \$923,270 in 2011. The increase in revenues was primarily related to the increased expenditures of the CDBG funds for residential and commercial rehabilitation in 2011 as compared to 2010.

The commercial rehabilitation expenses were \$355,832 in 2011 as compared to \$339,739 in 2010. The 2011 commercial rehabilitation expenses exceeded 2010 by \$16,093 (5%). The residential rehabilitation expenses of multifamily and 12 single family houses in 2011 and multifamily and 8 single family houses in 2010 were \$241,075 and \$98,701, respectively. The 2011 residential rehabilitation expenses exceeded 2010 by \$142,374 (144%).

The expenditures for public service and summer jobs for youth increased by \$9,804 (6%), from \$155,210 in 2010 to \$165,014 in 2011. The expenditures for public service had increased by \$25,035, from \$130,175, in 2009, to \$155,210, in 2010

The net decrease in administrative expenses was \$14,739 (3%), from \$435,031, in 2010 to \$420,292 in 2011. The decrease was principally due to the \$21,016 decrease in audit and professional fees and \$15,674 in other administrative expenses.

The Village of Freeport has assisted the CDA by transferring \$95,000 annually, in 2010 and 2011, respectively. Also, in the past, the excess of expenditures over revenues has been financed by borrowings from the Village of Freeport.

### Debt Administration

The only long-term liability of the CDA is the net OPEB obligation of \$251,976, which the Agency will pay on a pay as you go basis.

### Federal Aid

The Community Development Block Grant, received from HUD is the principal source of funding the Agency's operation. The following table presents the approved budgets for the Program budget years 35, 36, and 37 which refer to fiscal periods September 1 to August 31, 2010, 2011 and 2012, respectively.

The following table presents the approved budgets for the Community Development Block Grants:

Project Title	Program Years		
	37	36	35
Administration	\$ 116,000	137,288.	\$ 137,288
Planning		4,000	4,000
Acquisition of Real Property	5,000	5,000	5,000
Commercial Rehabilitation	232,080	285,902	220,000
Single-Family Residential	180,000	200,000	232,902
Multi-Family Residential	-	-	10,000
Disposition of Real Property	2,000	5,000	15,000
Public Facilities Improvement	19,000	37,000	50,000
Public Service	97,000	120,000	120,000
<b>Total budget</b>	<b>\$ 651,080</b>	<b>794,190</b>	<b>\$ 794,190</b>

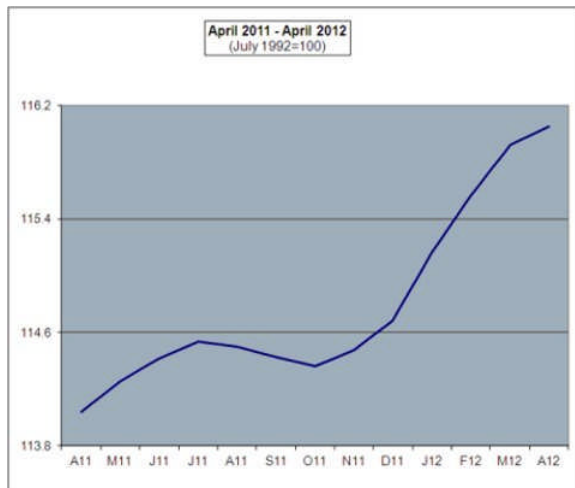
As a subrecipient, the CDA draws-down the budgeted CDBG funds from the County of Nassau, Department of Economic Development, as it makes expenditures. Due to the lag in processing the reimbursement claims, the available budgetary balances in the County normally exceed the actual balances. As of February, 29, 2012, the balances of various Program year budgets, as presented by the County of Nassau were as follows:

Program Year		Balance
37	\$	651,080
36		446,325
35		107,479
	\$	<u>1,204,884</u>

### ECONOMIC FACTORS AND NEXT YEAR'S PLAN

In April 2012, the New York State Department of Labor's Index of Coincident Economic Indicators (ICEI) for New York State increased at an annual rate of 1.3%. This follows an annual rate of increase of 3.8% in March 2012. Over the past year, the ICEI has increased by 1.8%.

The ICEI model combines and weights four key indicators of statewide economic activity, which have historically moved in conjunction with the state's business cycles that are private sector employment; unemployment rate; average weekly hours of manufacturing workers; and sales tax collections.



Since 1970, there have been seven distinct recessions in the U.S. and New York State. Recessions in New York have tended to be significantly longer than their national counterparts. This trend has become more pronounced over the past 30 years. The last four recessions in New York State (dating back to 1981) have averaged just less than 2½ years

in length, while the last four national recessions have averaged just over one year in duration.

Dates in U. S. (Peak-Trough)	Length (months)	Dates in NYS (Peak Trough)	Length months	NYS Change in Jobs	
				Net (in 1000s)	Percent
Dec.69-Nov.70	11	Dec.69-Nov.71	23	-310.2	-5.3%
Nov.73-Mar.75	16	Mar.73-Nov.75	30	-393.1	-6.7%
Jan.80-Jul.80	6	Feb.80-Jul.80	5	-66.3	-1.1%
Jul.81-Nov. '82	16	Aug 81-Jan.83	16	84.1	-1.4%
Jul.90-Mar.'91	8	Mar.89-Nov.92	44	-545.3	-8.0%
Mar.01-Nov.01	8	Dec.00-Jul.03	32	-332.8	-4.6%
Dec.07-June 09	18	April 08-Dec. 09	19	-332.1	-4.5%

Sources: National Bureau of Economic Research (U.S. dates) and New York State Department of Labor, Division of Research and Statistics (New York dates).

During April 2012, the unemployment rate was 7.1% in the Nassau County, 8.1% in New York State and 7.7% nationally. The price increases in the Northeastern United States, as measured by the Consumer Price Index for all urban consumers, was 1.8% over the last 12 months ending April 2012.

The Agency has considered the above and other factors in developing its plan for the next year's community development activities

### Contacting the CDA's Financial Management

This financial report is designed to provide the reader with a general overview of the CDA's finances and to demonstrate the CDA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Community Development Agency at (516) 377-2203.

**BASIC FINANCIAL STATEMENTS: GOVERNMENT-WIDE FINANCIAL STATEMENTS**





**FREEPORT COMMUNITY DEVELOPMENT AGENCY  
STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
FEBRUARY 29, 2012**

**Assets**

Cash and cash equivalents	\$	327,655
Receivable from other governments		124,141
Due from Village of Freeport		63,396
Lands and buildings held for development and sale		<u>3,654,953</u>

Total assets 4,170,145

**Liabilities**

Accounts payable accrued expenses	181,074
Other post-employment benefits (OPEB)	251,976
Compensated absences	59,318
Due to Village of Freeport	<u>911,261</u>
	1,403,629

Total liabilities

**Net position**

Restricted :	
Community Development Block Program	<u>2,766,516</u>
Total net position	<u>\$ 2,766,516</u>

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



**FREEPORT COMMUNITY DEVELOPMENT AGENCY  
STATEMENT OF GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED FEBRUARY 29, 2012**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net position
Functions/Programs		Charge for Services	Operating Grants	Total
Home and community development	\$ <u>(1,219,220)</u>	\$ -	\$ <u>922,907</u>	\$ <u>(296,313)</u>
Total	\$ <u>(1,219,220)</u>	\$ =	\$ <u>922,907</u>	(296,313)
General revenues:				
Interest				363
Transfers				
Transfers in from Village of Freeport				<u>95,000</u>
Change in net position				(200,950)
Net position – beginning				<u>2,967,466</u>
Net position – end				\$ <u>2,766,516</u>

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

**BASIC FINANCIAL STATEMENTS: FUND FINANCIAL STATEMENTS**



**FREEPORT COMMUNITY DEVELOPMENT AGENCY  
GOVERNMENTAL FUND  
BALANCE SHEET  
FEBRUARY 29, 2012**

**Assets**

Cash	\$	327,655
Receivable from other Governments		124,141
Due from Village of Freeport		63,396
Lands and building held for development and sale		<u>3,654,953</u>
 Total assets	 \$	 <u><u>4,170,145</u></u>

**Liabilities:**

Accounts payable & accrued expenses	\$	181,074
Due to Village of Freeport		911,261
Deferred revenues		<u>3,654,953</u>
 Total liabilities		 4,747,288

**Fund balances:**

Deficit		<u>(577,143)</u>
 Total liabilities and fund balance	 \$	 <u><u>4,170,145</u></u>

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

**FREEPORT COMMUNITY DEVELOPMENT AGENCY  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND  
TO THE STATEMENTS OF NET POSITION  
FEBRUARY 29, 2012**

Fund balances - total governmental fund	\$	(577,143)
Amounts reported for governmental activities in the statement of net position are different because:		
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental fund:		
Compensated absences		(59,318)
Program income recognized as earned in governmental activities. These revenues are recognized when measurable and available within the governmental fund		3,654,953
The net post-employment benefit liability is recorded in the Government-Wide financial statements but not in the fund financial statements		<u>(251,976)</u>
Net position of governmental activities.	\$	<u><u>2,766,516</u></u>

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

**FREEPORT COMMUNITY DEVELOPMENT AGENCY  
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCE  
THE YEAR ENDED FEBRUARY 29, 2012**

**Revenues:**

Federal aid	\$	922,907
Program income, Interest		363
Total revenues		923,270

**Expenditures:**

Current:

Residential Rehabilitation	241,075
Commercial rehabilitation	355,832
Public Service	165,014
Administrative salaries and taxes	233,081
Benefits	88,801
Professional Expenses	30,117
Other administrative expenses	68,293
Total expenditures	1,182,213

Deficiency of revenues under expenditures	(258,943)
---	-----------

**Other financing sources (uses)**

Transfers in from Village of Freeport	95,000
Total other financing sources (uses)	95,000

Change in fund balance	(163,943)
Fund balance, beginning	(413,200)

Fund balance, ending	\$	(577,143)
----------------------	----	-----------

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

**FREEPORT COMMUNITY DEVELOPMENT AGENCY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED FEBRUARY 29, 2012**

Net change in fund balances - governmental fund \$ (163,943)

Amounts reported for governmental activities in the statement of activities are different because:

Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Accrued compensated absences	(13,335)
Other post-employment benefit	<u>(23,672)</u>

Change in net position of governmental activities \$ (200,950)

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

**BASIC FINANCIAL STATEMENTS:**

**NOTES TO FINANCIAL STATEMENTS**



The notes provide a summary of significant accounting policies and other disclosures required for a fair presentation of the basic financial statements.

**FREEPORT COMMUNITY DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Freeport Community Development Agency (“CDA”, “Agency”) have been prepared in conformity with the generally accepted accounting principles applicable to state and local governmental units as promulgated by the Government Accounting Standards Board (GASB).

The basic financial statements of the CDA include all of its funds, which consist only of the General Fund. The financial statements of the CDA have been prepared to conform to the generally accepted accounting standards (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and reporting principles. The more significant accounting principles and reporting practices used by the CDA are described below.

**FINANCIAL REPORTING ENTITY**

The Freeport Community Development Agency (“CDA”), is a public benefit corporation which was created by New York State Legislation in 2010 under Section 620 of the General Municipal law, as amended by chapter 169 of the laws of 1976. It is organized in the manner prescribed by law and is an independent entity from the Village of Freeport. The Mayor appoints the Commissioners of the CDA and serves as the Chair of the Board of Commissioners.

As of and prior to the fiscal year ended February 28, 2010, all activities of the Freeport Community Development Agency were presented under the Village of Freeport

Community Development Fund, a major special revenue fund of the Village of Freeport. In 2010, the Freeport Community development Agency was established as a legally independent unit of the Village of Freeport by the New York State Legislature. For the fiscal year ended February 28, 2011 and 2012, all activities of the Freeport Community Development Agency are presented as the activities of a separate component unit of the Village of Freeport.

GASB Statement No. 14, *“The Financial Reporting Entity,”* states that a primary government that appoints a voting majority of an organization’s officials and is obligated in some manner for the debt of that organization, is financially accountable for that organization. Based on this criterion, the CDA would be considered a discretely presented component unit of the Village of Freeport and is included in their basic financial statements.

**BASIC FINANCIAL STATEMENTS**

In accordance with GASB Statement No. 34, *“Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments,”* the basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (Statement of Net position and Statement of Activities) report on the Agency as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by intergovernmental revenues (Primarily Federal aid), are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term



assets and receivables as well as long-term debt and obligations. The Agency has only a single governmental activity.

The government-wide financial statements focus more on the sustainability of the Agency as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The government-wide Statement of Net position reports all financial and capital resources of the Agency. It is displayed in a format of assets less liabilities equal net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt represents capital assets net of accumulated depreciation which is reduced by outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position is those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net position not otherwise classified as restricted are shown as unrestricted.

Generally, the Agency would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Agency are offset.

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as

either governmental or business type. In the Statement of Net position, the governmental activities and business activities columns are presented on a consolidated basis in a single column (the CDA has only a single General Fund and does not have any business-type fund), and are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (home and community, culture and recreation and housing assistance) and the general revenues. The general revenues principally include interest.

The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants and charges for providing services. The program revenues must be directly associated with the functional (home and community, culture and recreation and housing assistance) activity. The operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. The Agency did not have capital specific grants in the fiscal year ended February 29, 2012.

The net costs, by function, are covered by general revenues and transfers. The general revenues included interest earned on the Agency's cash equivalents.

This government-wide focus is more on the sustainability of the Agency as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

In the fund financial statements the emphasis is on the major funds. Non-major funds (by category), if any, or fund types are summarized into a single column. The Agency has only a single major fund, the general fund.

The governmental fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which the general fund is budgeted. This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Agency's actual experience conforms to the fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

In the governmental fund financial statements, fund balance is presented using the following classifications:

Nonspendable fund balance is amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance is amounts that are restricted to specific purposes when constraints placed on the use of resources are either by (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance is amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners.

Assigned fund balance is amounts that are constrained by the Agency's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Commissioners

has delegated the authority to assign fund balance to the Executive Director.

Unassigned fund balance includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

Pursuant to the Agency's Comprehensive Fund Balance Policy, restricted fund balance is to be spent first when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, committed amounts are reduced first followed by assigned amounts and then unassigned amounts.

## **MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized only as they become susceptible to accrual (measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current

period. The Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures when payment is due.

Intergovernmental revenues, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual. In applying the susceptible to accrual criteria to intergovernmental revenues (grants and subsidies), eligibility requirements of the individual programs must be met. In general, monies must be expended on a specific purpose or project before any amounts not available are recorded as deferred revenue. All other revenue items are considered to be measureable and available only when cash is received by the Agency.

The Agency reports the following major governmental fund:

**General Fund** - The General Fund is the general operating fund of the CDA through which the CDA provides most services. Its principal sources of revenue are the Community Development Block Grant received from the United States Department of Housing and Urban Development.

## **BUDGETS AND BUDGETARY ACCOUNTING**

The Agency uses both annual and program budgets for the General Fund. The budget is not legally adopted budgets but is used for planning and control documents by the agency.

### **Annual Budgets**

The annual budget is proposed for the General Fund by the Executive Director and submitted to the Board for approval. The budgets are

amended during the year as additional planning information becomes available. The Executive Director with the approval of the Board of Commissioners is authorized to amend the budget allocations and total appropriations.

## **Programs and Program Budgets**

### *The Community Development Block Grant Program Budget*

The CDA is a member of the 34 member Nassau Urban County Consortium (“the Consortium”). The Consortium includes 3 large towns (unincorporated areas), 2 cities, and 29 large and small villages.

The mission of the Consortium is to deal with a broad cross section of urban and suburban problems, such as a shortage of affordable, decent housing and job opportunities; a growing homeless population; aging infrastructure; a growing need for support services to meet the demands of a changing population; and a need for job creation and retention, both separate and part of revitalization efforts needed in local business areas.

The Nassau County Office of Economic Development (“NCOED”) is the overall administrative agent for the Federal Community Development Block Grant (CDBG) Program, HOME Investment Partnerships Program (HOME) and the Emergency Shelter Grant (ESG) Program, which are all funded through the Federal U.S. Department of Housing & Urban Development (HUD).

Since 1995, HUD has required Nassau County to consolidate the submission requirements for all Members of the Consortium for the above formula grant programs in order to provide coordinated neighborhood and community development strategies to revitalize communities. It also creates the opportunity for citizen participation to occur in a comprehensive context.

As a member of the consortium, the CDA receives annual funding of approximately \$800,000, from the Community Development Block Grant Program (“CDBG”) of the United States Department of Housing and Urban Development (“HUD”) via the NCOED. Also, over the past five years the Village of Freeport has assisted the Agency with additional annual funding of approximately \$95,000 to assure the continuation of the downtown revitalization program. Additionally the agency has been awarded approximately \$200,000 from New York State for improvements on Main Street. The Village with the Agency applied for and was approved for two grants from the New York Empire State Development Corporation totaling \$3,169,990 for improvements to the bank building area.

Every year the CDA receives an application from NCOED to apply for CDBG funds. The contract fiscal year for the CDBG grant begins at the first day of September and ends on the thirty first day of August. The application is sent to the CDA between February and March of the next grant year. The Agency must complete the application and submit a three year plan for the upcoming and following two grant years for the agency. The Agency must also include the CDBG Budget in the CDBG Application.

Activities included in the application must meet the National Objectives of the program benefiting low and moderate income persons (defined as below 80% of Nassau County's median income) or aiding in the prevention or elimination of slums or blight. The application must include a three year project plan.

Upon receipt of the application, the CDA will then hold a meeting of the Board to authorize the Executive Director to apply for the grant. After authorization, a Public Hearing is called regarding the grant. Notice of Public Hearing is published and a public hearing is held by the CDA to provide citizens with an opportunity to propose the inclusion of activities in the

program year. The Public Agencies applications are reviewed by the CDA Board.

After approval of the Board, the grant application is sent to the Nassau County Office of Economic Development (NCOED). The NCOED reviews and recommends changes to the CDA's request of funds and sends the awarded contract back to the CDA for the Mayor's and Executive Director's signatures. After the Mayor and Executive Director sign the contract it is sent back to NCOED for approval. NCOED will send the approval and an environmental clearance to the CDA at which point the CDA has the right to draw down the funds.

The CDA annual (“the Program Year”) budget allotment does not expire at the year end. The grant contract period is for two years or until the projects included in the budget are completed. The completion of a project could take several years.

The Agency's major programs include the following

### **Commercial Rehabilitation**

The CDA has participated in the development of the Master Plan for the Village of Freeport's North Main Street Corridor and Station Area and has integrated its community development activities with the developing vision of this plan. The project area of the master Plan includes the entire length of North Main Street from Freeport's northern border at Roosevelt to its terminus at Sunrise Highway. In previous years, the CDA has contributed to the funding of the planning and design of the Plan and substantial part of the commercial rehabilitation expenditures, in 2011, 2010 and 2009, were related to the development of this area.

As a major part of commercial rehabilitation, the Agency has developed and implemented its Commercial Facade Improvement and fixture replacement Program to assist in the

revitalization of older target business areas of the Village. To be eligible for participation in the program the building must be located within the geographic boundaries of the Village of Freeport and located in a Community Development eligible census tract. Area and the principal use of any property must be non-residential to be eligible for inclusion in the program.

The financial assistance for the Facade Improvement consists of a grant covering up to 50% of actual construction costs. Funding for the remaining construction costs is to be provided by the owner, including a good faith deposit toward total project costs of 10% of the final architect's cost estimate, due when the grant agreement is signed. Under this program, a loan for the owner's share of the construction costs may also be made available to the owner from the Community Development Corporation of Long Island or other lender. The agency from time to time may develop specific loan and grant procedures and regulations as an amendment to this agreement on a project-by-project basis. Director of the FCDA will approve these amendments.

Financial assistance for the Fixture Replacement Program will consist of a grant not to exceed \$15,000 per store front, based on actual cost for purchase and installation of new fixtures. Fixtures are to include signs, sign lighting, awnings and other exterior fixtures or apparatus as approved by the FCDA. Unit costs for approved fixtures for each applicant will be determined by a competitive bid, to include installation in accordance with Davis-Bacon wage requirements. Additionally, any other items for the fixture replacement program must be pre-approved by the FCDA and bid in accordance with FCDA directions.

In the case of a building with multi fronts, a maximum of \$15,000 grant is to be provided to each store front, based on actual costs of the improvements.

The CDA may assist business applicant with technical assistance for facade improvements, or fixture replacement.

### **Residential Rehabilitation**

The Village of Freeport Residential Rehabilitation Assistance Program has been designed to improve the quality of standard housing units within the Village.

To be eligible for rehabilitation the property must be owner occupied and located within the Inc. Village of Freeport and the owner's income should be within the annual income limits for this program, which is established according to §813.106 of the U.S. Department of Housing and Urban Development (HUD) regulations.

Rehabilitation may include but is not necessarily limited to the roofing and siding improvements; replacement and/or repair of doors; Architectural barrier Removal (ABR) Handicap Ramps, incipient code violations or preventative maintenance efforts.

The funding will be a grant provided that the owner remains in the house for a period of one year from the date of completion of the work and remain in ownership for a total of five years from the date of completion of the work. However, in the event the house is sold within five years from the date of completion the amount of the loan shall be reduced by 20% for each year the homeowner shall have complied with the residency and ownership requirements. The balance of the loan shall be due and payable at the time of sale with interest of 3% per annum computed from the date of completion.

In the event the homeowner does not reside in the house for a period of one year following completion of the work, the homeowner shall be forgiven the pro rata portion of the fund borrowed from the Freeport Community Development Agency. The balance of the loan is due the Freeport Community Development

Agency together with interest of 3% per annum for the remaining portion of the five (5) year ownership period.

A Chattel mortgage and UCC-1 Certificate or subordinate mortgage and mortgage note is signed by the owner in order to protect the funds provided for under the terms of the grant agreement. At the end of the five (5) year term, a mortgage satisfaction will be executed for filing with Nassau County. The filing cost of the mortgage and satisfaction is the responsibility of the homeowner.

### **Public Service**

For over 25 years, the Community Development Block Grant (CDBG) program has provided a comprehensive and flexible source of funding to address local housing and community development needs. But CDBG funds, up to a maximum of 15%, may be used to provide public services (including labor, supplies, materials and other costs).

To be eligible for CDBG assistance, the *public service* must be either: a new service or increase in the level of a service in accordance with the Basic Eligibility Activities listed in the Federal Register 24 CFR Parts 570.201-570.206. Each January, the Agency sends out Notice of Funding Availability to interested parties and public service agencies. Funding is allocated on a competitive basis with applications for each funding source rated based on criteria set forth in the published request for proposals for the specific grant fund requested.

## **ASSETS, LIABILITIES, NET POSITION OR EQUITY AND REVENUES AND EXPENSES**

### **Deposits and Investments**

Cash includes amounts in demand deposits as well as short-term investments with original

maturities of three months or less from the date acquired by the CDA.

Accounts held by an official custodian for the CDA are insured as follows: up to \$250,000 for the combined total of all time and savings deposits (including NOW accounts) and unlimited coverage for non-interest bearing demand deposit accounts.

The CDA's investment policy requires the CDA to follow State statutes which allow the CDA to invest in obligations guaranteed by the U.S. Treasury or its agencies and general obligations of the State of New York and its municipalities.

### **Other Assets**

Other assets held are recorded and accounted for at cost.

### **Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. In the governmental fund financial statements, these prepaid items are recorded on the consumption basis.

### **Capital Assets**

Capital Assets of the Agency are provided by the Village of Freeport and are the property of the Village of Freeport.

### **Long-term Obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. As of February 29, 2012, the only long term liability was net other post-employment benefits obligations.



## Compensated Absences

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered. The CDA employees receive vacation time, sick leave, and other benefits. Employees of the CDA may carry over unused vacation and sick days and are entitled to payment for accumulated vacation and sick days, upon retirement or termination subject to certain limitations.

The cost of compensated absences is accrued, when incurred, in the government-wide financial statements. A liability for the current amount of compensated absences is recorded as a current liability at February 29, 2012.

The compensated absences are reported in governmental fund only if they have matured (i.e., unused reimbursable leave still outstanding following an employee's resignation or retirement).

## Other Post Retirement Benefits (OPEB)

In addition to providing pension benefits, the Agency provides health insurance coverage and survivor benefits for employees and their survivors. Substantially all of the Agency's employees may become eligible for these benefits if they reach normal retirement age while working for the Agency. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year.

Prior to the issuance of the Government Accounting Standards Board Statement 45 (GASB 45), the Agency followed a "pay-as-you-go" accounting approach in which the cost of benefits is not reported until after employees retire. However, this approach is not comprehensive—only revealing a limited amount of data and failing to account for costs and obligations incurred as the Agency receives

employee services each year for which they have promised future benefit payments in exchange.

In the year ended February 28, 2009, the Agency implemented the Statement 45, and has reported, annual other than pension postemployment benefits (OPEB) cost and its unfunded actuarial accrued liabilities for past service costs. This has fostered improved accountability and a better foundation for informed policy decisions about, for example, the level and types of benefits provided and potential methods of financing those benefits

Statement 45 does not require immediate recognition of the unfunded actuarial accrued liability (UAAL) as a financial-statement liability. The Agency will accumulate a liability called the net OPEB obligation, if and to the extent its actual OPEB contributions are less than its annual OPEB cost, or expense. The net OPEB obligation (not the same as the UAAL) may increase rapidly over time if, for example, a government's OPEB financing policy is pay-as-you-go, and the amounts paid for current premiums are much less than the annual OPEB cost.

Statement 45 requires the disclosure of information about the funded status of the plan, including the UAAL, in the notes to the financial statements and the presentation of multi-year funding progress trend information as a required supplementary schedule

## Deferred Revenues

Revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual (i.e. when they become both measurable and available to finance expenditures of the fiscal period.) "Available" means collectible within the current period (year ended February 29, 2012) or within 60 days after year end (March or April of 2012) and usable to pay liabilities of the current period.

In accordance with GASB Statement No. 33, the CDA accrues revenue from expenditure-driven/reimbursement type grants, such as CDBG grant, when the expenditures have been made and the revenue is available.

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

### **Pension Plans and Post-Retirement Benefits.**

The CDA has adopted the Governmental Accounting Standards Board Statement No. 27, “*Accounting for Pensions by State and Local Governmental Employers*”. This statement establishes standards for the measurement, recognition, and display of pension expenses and related assets, liabilities, note disclosures, and supplementary information. Pension cost is required to be measured and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expense on the modified accrual basis of accounting. Annual pension cost should be equal to the annual required contributions to the pension plan, calculated in accordance with certain parameters. This change in accounting had no effect on the financial statements.

### **Risk Management**

The Agency is potentially exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; general liability; workers’ compensation and unemployment claims. The Agency had no outstanding claims or judgments against it during the fiscal year.

### **Accounting Pronouncements**

#### *New Accounting Pronouncements*

In March 2012, the Governmental Accounting Standards Board (GASB) issued Statement 66,

*Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state and local government’s risk financing activities to the general fund and the internal service fund type. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

This Statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

The provisions of this Statement is effective for periods beginning after December 15, 2012. The adoption of this standard does not affect the financial statements of the Agency.

In March 2012 (GASB) issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.



GASB Concepts Statement No. 4, Elements of Financial Statements, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in Concepts Statement 4. Based on those definitions, Statement 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources

The provisions of this Statement is effective for periods beginning after December 15, 2012. The adoption of this standard does not affect the financial statements of the Agency.

In June 2011 GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of swap counterparty or swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged.

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position.

The Statement specifies that the statement of net position should report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position and identifies two formats that may be used. Use of the net position format is encouraged (assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources equal net position); however, use of the balance sheet format (assets plus deferred outflows of resources equal liabilities plus deferred inflows of resources plus net position) also is permitted. Statement 63 also specifies that the statement of net position should report the residual amount as net position rather than net position. Under the Statement, net position should be displayed in three components similar to those currently required for net position: net investment in capital assets, restricted, and unrestricted.

With respect to the disclosure requirements in the Statement, if multiple types of deferred outflows or deferred inflows are aggregated on the face of the financial statements, then governments are required to provide details about the different types of deferrals in the note disclosures. If the amount reported for a component of net position is significantly impacted by deferrals, a government will include a note explaining the effect of the deferred amounts on the net position balances. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011, with earlier application encouraged. The Agency has adopted and implemented the provisions of this statement. In the fiscal year ended February 29, 2012, The Agency adopted and implemented the provisions of this statement.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement incorporates into the GASB's authoritative literature certain accounting and

financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

Financial Accounting Standards Board (FASB) Statements and Interpretations.  
Accounting Principles Board Opinions.  
Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The adoption of this standard does not affect the financial statements of the Agency.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. This Statement improves financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged.

In November 2010, GASB issued the *Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements*. This Statement improves the financial reporting by

addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties.

The provisions of this Statement are effective for periods beginning after December 15, 2011. The adoption of this standard does not affect the financial statements of the Agency.

## **NOTE 2. CASH AND CASH EQUIVALENTS**

At February 29, 2012, carrying values of cash and cash equivalents was \$361,758. The amount on deposit was fully insured by the FDIC.

*Interest rate risk.* It is the risk that changes in market interest rates will adversely affect the fair value of the investment. Generally, the fair values of investments with longer maturities are more sensitive to changes in market interest rates. In accordance with its cash management and investment policy, the Agency manages its exposure to declines in fair values by investing its excess cash in money market accounts or certificate of deposits with maturity of less than one year.

*Custodial and credit risk.* The Agency's bank balances of deposits were either entirely insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 or collateralized with securities pledged in third party custodial accounts of the pledging financial institutions in the CDA's name.

The collateral amounts are as required by the Agency's custodial bank agreement at 100%. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. Periodically, the Agency determined that the collateral or underlying securities have an adequate market value and have been segregated.

**NOTE 3. ACCOUNTS RECEIVABLE**

For the year ended February 29, 2012, the current accounts receivable of the CDA represented \$124,141 owed by the County of Nassau for reimbursement of the CDBG grant expenditures.

**NOTE 4. AMOUNTS DUE TO OR FROM AND TRANSFERS FROM THE VILLAGE OF FREEPORT**

The amount of \$63,396 receivable from the Village of Freeport represents the passed through grant received by the Village on behalf of the CDA in the year ended February 28, 2010.

The CDA received a transfer of \$95,000 from the Village of Freeport. Also, the Village makes payments for salaries and other administrative.

The changes in the amounts due to the Village of Freeport, for the reimbursable expenditures are as follows:

AMOUNT DUE TO THE VILLAGE OF FREEPORT		
Balance, March 1, 2010	\$	947,279
Addition during the year		<u>(36,017)</u>
Balance, February 28, 2012	\$	<u><u>911,262</u></u>

The CDA intends to undertake a line by line review of the balances due to the Village of Freeport, in an effort to determine which items in the aggregate dollar figure are expenses for which the CDA is truly responsible. As of July 31, 2010, just prior to the establishment of the CDA as an independent reporting entity, the CDA had a balance due to the Village of Freeport of 984,277. From August 1, 2010 to

February 29, 2012, the CDA's obligation to the Village decreased by \$73,015.

**NOTE 5. LONG TERM DEBT**

The only long-term liability of the Agency is the liability for the net Other Post-Employment Benefits.

**NOTE 6. PENSION PLANS AND POST RETIREMENT BENEFITS**

**Description of Plan**

The Agency participates in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. The New York State Retirement and Social Security Law (NYSRSSL) governs obligations of employers and employees to contribute and benefit employees. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrator. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and require supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

**Funding Policy.** The Systems are noncontributory except for employees who have less than 10 years of service or membership in the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. In addition, members who meet certain eligibility requirement will receive one month's additional service credit for each completed year of

ANNUAL OPEB COST, PERCENTAGE CONTRIBUTED AND NET OPEB OBLIGATION					
Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	OPEB Cost as a Percentage of Covered Payroll
2/28/2011	83,420	79.5%	228,304	203,427	41.0%
2/29/2012	83,420	50.2%	269,875	208,675	40.0%

service up to a maximum of two additional years of service credit. Under the Section 8 of the NYSRSSL, the Comptroller shall annually certify the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. The Agency is required to contribute at an actuarially determined rate. For the current and preceding years the Agency's actual contributions were equal to 100% of the required contributions as follows:

Year	Amount
2012	\$28,251
2011	13,097
2010	16,028
2009	17,515

The CDA has adopted the Governmental Accounting Standards Board's Statement No. 27, "Accounting for Pension Costs and Contributions by State and Local Governmental Employers." This statement established standards for the measurement, recognition, and display of pension expenses and related assets, liabilities, note disclosures, and supplementary information. Annual pension cost should be equal to annual required contributions to the pension plan, calculated in accordance with certain parameters.

**NOTE 7. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

The Village of Freeport Community Development Agency's is a part of the Village of the Village of Freeport single-employer defined benefit OPEB plan. The CDA's retirees' medical/drug and dental insurance plans are fully insured. Employees are eligible for these benefits once they have reached the age of 55 and have 5 years of consecutive and qualified employment. The Agency has agreed to pay the full cost of coverage for such retirees as well as the retiree's spouse and unmarried children. Survivors are covered at full cost. The retirees are also eligible for Medicare reimbursement in the amount of \$1,157, per year. The Agency pays the OPEB costs on a pay as you go basis.

The Agency's annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan and Net OPEB obligation for two years is shown above.

The funding status and the funding progress of the Agency's Actuarial Value of Assets, Actuarial Liability, Covered payroll and Unfunded Actuarial Accrued Liability as a percentage of Covered Payroll were as follows:

FUNDING STATUS AND FUNDING PROGRESS						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
3/1/2008	\$-0-	\$513,103	\$(513,103)	0%	\$138,471	370%
3/1/2010	\$-0-	\$664,359	(664,359)		\$385,318	172%

The Actuarial Cost Method, used is Entry Age Normal Cost Method. It develops an orderly allocation of the actuarial present value of benefit payments over the working lifetime of participants in the plan. The actuarial assumptions included: a funding interest rate of 4.0%; A 2010 Medical trend rate of 8%; An ultimate trend rate, estimated to be reached in 2013, of 5.0%; and that the remaining amortization period at February 29, 2012 is 25.65 years. Annual salary scale assumptions were on based on an annual payroll increase of 2.5%. The number of active plan participants is three (3).

Actuarial calculations of the OPEB plan reflect a long-term perspective. Actuarial valuations for OPEB plans involve estimates of value of reported amounts and assumptions about probability of events far into the future, and actuarially determined amounts are subject to continual revision as result are compared to past expectations and new estimates are made about future. The amortization of unfunded liabilities as a level dollar amount over 30 years was selected to comply with GASB 45 requirements for a Closed Group. A separate, audited GAAP-basis postemployment benefit plan is not available for the OPEB plan.

ANNUAL OPEB COST AND NET OPEB OBLIGATION FISCAL YEAR ENDING February 29, 2012	
Annual Required Contribution - ARC	84,794
Interest	8,450
Adjustment to ARC	(9,824)
Annual OPEB Cost (Expense)	83,420
Less contributions made	(59,748)
Increase in net OPEB Obligation	23,672
10. Net OPEB Obligation- beginning of year	228,304
11. Net OPEB Obligation - end of year	\$251,976

#### NOTE 8. DEFICIT FUND BALANCE

The Agency had an unrestricted fund balance deficit of \$577,143, as of February 29, 2012 and \$413,200 in prior year. The increase in deficit balance was the result of expenses exceeding revenues by \$163,943 in the fiscal year ended February 29, 2012. The deficit has been financed by borrowing from the Village of Freeport.

#### NOTE 9. FEDERAL GRANTS AND CONCENTRATION OF RISK

The CDA receives financial assistance from the United States Department of Housing and Urban Development (HUD). The Community Development block grant funds pass through the County of Nassau Department of Community Development. Both of these grants are subject to audit by the Federal Governments. The agency is funded 100% by these two programs and any change in this funding may seriously affect its continued operations.

#### NOTE 10. LANDS HELD FOR DEVELOPMENT AND SALE

As of February 29, 2012, the lands held for development and sale was as follows (Table to the right):

The CDA owns property located at 202 Woodcleft Ave that is a one story building with approximately 6,500 square feet of space. It is presently occupied by a non-profit organization, Operation Splash who is responsible for keeping the south shore bays and waterways clean of debris, and to preserve and enhance the cultural and recreational resources of the area. They also use the facility to repair boats and store artifacts. Operation Splash currently has no lease and no written agreement with the CDA regarding their occupancy. They have been at this location since approximately 2003 and have future plans to remain at this location and build a Seaport Museum. At February 29, 2012, Operation Splash's occupancy bears no rent. The CDA is presently negotiating a license agreement with

Operation Splash. The building is insured for liability under the Village of Freeport self-insurance.

**NOTE 11. SUBSEQUENT EVENTS**

The Agency has evaluated subsequent events as of May 31, 2012, the date that the financial statements were issued. The Agency has determined that there were no subsequent events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates in the process of preparing financial statements (recognized subsequent events) or events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date (Non-recognized subsequent events).

Also, the Freeport Community Development Agency is in possession of six plots of vacant land, pending clarification of title, that the County of Nassau had issued quit claim deeds for the benefit of the Incorporated Village of Freeport.

Parcel ID	Legal Address	Acquisition Cost
55--289-223	70 W Sunrise Hwy	\$ 756,118
55--289-18	1-7 Freeport Plaza West	400,000
55--289-12	21 Freeport Plaza West	220,442
55--289-8	42 W Sunrise Hwy	211,378
55--202-35	5-8 Benson Pl	173,438
55--289-221	24 W Sunrise Hwy	167,400
55--289-4	37-39 Freeport Plaza West	167,400
55--289-19	4 Church St	165,000
55--289-120	6 Church St	159,939
55--289-23	12 Church St	155,551
55--289-21	8 Church St	151,290
55--205-10	17-19 E Merrick Rd	150,000
55--289-11	23 Freeport Plaza West	138,924
55--289-22	10 Church St	124,200
55--205-12	97-99 S Main St	123,667
62--175-303	202 Woodcleft Av	300,000*
62--175-4	202 Woodcleft Av	*
62--177-151	199 Woodcleft Av	*
62--177-152	217 Woodcleft Av	*
62--177-153	217 Woodcleft Av	*
55--289-10	25 Freeport Plaza W	55,206
55--289-7	31 Freeport Plaza W	35,000
	Total cost	\$ 3,654,953

\* Parcels purchased together at a total cost of \$300,000

# COMPLIANCE SECTION





**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**

Hon. Andrew Hardwick Chairman  
Mr. Norman Wells, Executive Director  
and the Members of the Board of Commissioners  
Freeport Community Development Agency  
Freeport, New York

We have audited the basic financial statements of the Freeport Community Development Agency (the Agency), a discrete component unit of the Incorporated Village of Freeport, as of and for the year ended February 29, 2012 and have issued our report thereon dated May 31, 2012. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Freeport Community Development Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Freeport Community Development Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Freeport Community Development Agency's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting, 2011-1 and 2011-2.



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.

### **Compliance and Other Matters**

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

This report is intended solely for the information and use of management, the Board of Commissioners, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

TABRIZCHI & Co., CPA, P.C.

May 31, 2012  
Garden City, NY

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR FEDERAL PROGRAM, INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Hon. Andrew Hardwick Chairman  
Mr. Norman Wells, Executive Director  
and the Members of the Board of Commissioners  
Freeport Community Development Agency  
Freeport, New York

**Compliance**

We have audited the compliance of the Freeport Community Development Agency, a component unit of the Incorporated Village of Freeport, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect to each of its major federal programs for the year ended February 29, 2012. The Freeport 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Freeport Community Development Agency's management. Our responsibility is to express an opinion on the Freeport Community Development Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Freeport 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. Our audit does not provide a legal determination of Freeport Community Development Agency's compliance with those requirements.

In our opinion, the Freeport Community Development Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended February 29, 2012.

## Internal Control over Compliance

Management of Freeport Community Development Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Freeport Community Development Agency's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Freeport 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 a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as items 2012-1. *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.

The Freeport Community Development Agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Freeport Community Development Agency's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

TABRIZCHI & Co., CPA, P.C.

May 31, 2012  
Garden City, NY

**FREEMPORT COMMUNITY DEVELOPMENT AGENCY  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
YEAR ENDED February 29, 2012**

<u>Agency and Program Grant Title</u>	<u>Federal CFDA Number</u>	<u>Nassau County Consortium Number</u>	<u>Federal Expenditures</u>
<b>Department of Housing and Urban Development Passed through Nassau County Consortium</b>			
Community Development:			
Block Grant/Entitlement Grants	14.218	CQHI1000005	<u>\$ 954,777</u>
Total Federal Financial Assistance			<u><u>\$ 954,777</u></u>

See accompanying notes to schedule of expenditures of federal awards.

**THE FREEPORT COMMUNITY DEVELOPMENT AGENCY  
NOTES TO THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS  
YEAR ENDED FEBRUARY 29, 2012**

**NOTE 1: PURPOSE OF THE SCHEDULE**

Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires a Schedule of Expenditures of Federal Awards showing total expenditures for each federal financial assistance program as identified in the Catalog of Federal Domestic Assistance (CFDA).

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

- A. Reporting Entity** - The accompanying schedule includes all federal financial assistance programs administered by the Freeport Community Development Agency for the fiscal year ended February 29, 2012.
- B. Basis of Presentation** - The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133.
- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133, federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.
  - 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and OMB Circular A- 133 establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Freeport Community Development Agency are those which equal or exceeded \$300,000 in expenditures, disbursements, issuances for the fiscal year ended February 29, 2012. The Agency has a single type A and no type B program.
- C. Basis of Accounting** - The information presented in the Schedule of Expenditures of Federal Awards ("the Schedule") is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations*.

**FREERPORT COMMUNITY DEVELOPMENT AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED FEBRUARY 29, 2012**

**I. Summary of Auditors' Results**

**A. Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_ Yes    \_\_xNo
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_x Yes    \_\_\_ No
- Noncompliance that is material to the financial statements noted? \_\_\_ Yes    \_\_xNo

**B. Federal Awards**

Internal control over major programs:

- Material weaknesses identified? \_\_\_ Yes    \_\_x No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_x Yes    \_\_\_ No

The type of auditors' report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? \_\_\_ Yes    \_\_xNo

Identification of Major Programs:

Name of Federal Program	CFDA number
▪ Block Grant/Entitlement Grants	14.218

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee under Section 530

- of OMB Circular A-133: \_\_\_ Yes    \_\_xNo

**II Findings Related to the Financial Statements Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards**

**A. Internal Control**

Findings 2012-01

**B. Compliance Findings**

None reported

### III Findings and Questioned Costs for Federal Awards

#### A. Internal controls

##### 2012-01 Real Property Records

###### Criteria

Under 24 CFR 570.506, the Subrecipient shall maintain all records required by the Federal regulations that are pertinent to the activities funded under CDBG Agreement. Such records shall include documents of the acquisition, improvement, use or disposition of real property acquired or improved with CDBG assistance.

###### Condition

The Freeport Community Development Agency records of the properties held for development and sale did not reflect detailed historical costs of acquisition, clearance and improvements of those properties.

###### Cause

Primary reasons are the Staffing constraints of the Accounting department of the Incorporated Village of Freeport and the Transition from accounting for the activities of Community development as major special revenue of the Incorporated Village of Freeport to separate accounting for the Freeport Community Development Agency, as an independent component unit.

###### Effect

The lack of detailed schedules of the acquisition and improvement costs does not allow the determination of accountability for the assets acquired by federal funds.

###### Action Plan

The Agency will examine its historical records of expenditures to develop detailed cost schedules for each property.

**FREEPORT COMMUNITY DEVELOPMENT AGENCY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED FEBRUARY 28, 2011**

The audit report for the year ended February 28, 2011, which was submitted as a part of the Single Audit of the Incorporated Village of Freeport, contained no questioned costs and the following findings, which are related to the Community Development Block Grant:

**2011-01 Real Property Records**

Criteria

Under 24 CFR 570.506, the Subrecipient shall maintain all records required by the Federal regulations that are pertinent to the activities funded under CDBG Agreement. Such records shall include documents of the acquisition, improvement, use or disposition of real property acquired or improved with CDBG assistance.

Condition

The Freeport Community Development Agency records of the properties held for development and sale did not reflect detailed historical costs of acquisition, clearance and improvements of those properties.

Cause

Primary reasons are the Staffing constraints of the Accounting department of the Incorporated Village of Freeport and the Transition from accounting for the activities of Community development as major special revenue of the Incorporated Village of Freeport to separate accounting for the Freeport Community Development Agency, as an independent component unit.

Effect

The lack of detailed schedules of the acquisition and improvement costs does not allow the determination of accountability for the assets acquired by federal funds.

Action Plan

The Agency will examine its historical records of expenditures to develop detailed cost schedules for each property.

Status

The Agency had not completed the preparation of the required real property records.



## **2011-02 Program Income**

### Criteria

Under the 24 CFR 570, the receipt and expenditure of program income as defined in Sec. 570.500 (a) shall be recorded as part of the financial transactions of the grant program. The 2010 OMB Circular A-133 compliance Supplement, requires the Freeport Community Development Agency to have internal controls to provide reasonable assurance that program income is correctly earned, recorded, and used in accordance with the program requirements

### Condition

The program income cash has been comingled with other funds and could not be reconciled to the bank statements.

### Cause

Staffing constraints of the Incorporated Village of Freeport Accounting Department has limited the opportunity to reconcile the accounts, for historical periods.

### Effect

The Village may not be in compliance with the 24 CFR 570 and OMB circular A110.

### Recommendation

It is recommend the Village's Community Development Agency review the program income reports and investigate any differences between these reports and the cash balance on the documents and records.

### Status

As of February 29, 2012, the Village of Freeport Community Development Agency expended \$152,092 of the accumulated program income and has earmarked the balance of \$81,608 for specific community development projects.