# HUNTINGTON COMMUNITY DEVELOPMENT AGENCY

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED 2012 AND 2011

CONTENTS


| | Page |
|---|---|
| INDEPENDENT AUDITORS' REPORT | 1-2 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) | 3-4 |
| FINANCIAL STATEMENTS | |
| Statements of Net Assets | 5 |
| Statements of Revenues, Expenditures and Changes in Net Assets | 6 |
| Statements of Cash Flows | 7 |
| Notes to Financial Statements | 8-10 |
| **SUPPLEMENTAL INFORMATION AS REQUIRED UNDER OMB CIRCULAR A-133, "AUDITS OF STATES, LOCAL GOVERNMENTS AND NON-PROFIT ORGANIZATIONS** | |
| 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* | 11-12 |
| Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on each Major Program and on Internal Control over Compliance in Accordance with *OMB Circular A-133* | 13-14 |
| Schedule of Expenditures of Federal Awards | 15 |
| Notes to the Schedule of Expenditures of Federal Awards | 16 |
| Schedule of Findings and Questioned Costs | 17-18 |

Israeloff, Trattner & Co. P.C.
CERTIFIED PUBLIC ACCOUNTANTS · FINANCIAL CONSULTANTS
1225 Franklin Avenue, Garden City, NY 11530 (516) 240-3300 Fax (516) 240-3310 www.israeloff.com

Other Office
New York, NY

# INDEPENDENT AUDITORS' REPORT

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

## *Report on Financial Statements*

We have audited the accompanying financial statements of the Huntington Community Development Agency (the "Agency"), a component unit of the Town of Huntington, as of and for the years ended December 31, 2012 and 2011, which collectively comprise the Agency's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

## *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Huntington Community Development Agency, as of December 31, 2012 and 2011, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other-Matters***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 and 4 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 audits were conducted for the purpose of forming opinions on the financial statements of the Agency's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2013, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Israeloff, Trattner & Co. P.C.

Garden City, New York
April 1, 2013

This management discussion and analysis of The Town of Huntington Community Development Agency's (the "Agency") financial performance provides an overview of the Agency's financial activities for the year ended December 31, 2012. Please read this in conjunction with the basic financial statements and the accompanying notes to those statements.

**Financial Highlights**

The liabilities of the Agency exceeded its assets at December 31, 2012 by $160,451. This is primarily attributed to an increase in borrowings from the Town of Huntington due to reduced revenues in 2012.

The Agency's total assets decreased by $190,190 during 2012. The decrease in assets is primarily attributed to a decrease in funding from US Department of Housing and Urban Development ("HUD"), American Recovery and Reinvestment Act ("ARRA") and New York State (NYS), which in turn affected cash balances and balances due from other governments.

The Agency's total revenues decreased by $605,589 during 2012 primarily due to a decreases in HUD, ARRA and NYS funding.

As of December 31, 2012, the Agency reported net deficit of $160,451, a change of $268,678 from the previous year.

**Basic Financial Statements**

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

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

The financial statements of the Organization have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to proprietary funds on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**Analysis of Financial Position and Results of Operations**

The Agency's net deficit at December 31, 2012 was $160,451.

The Agency's total revenue decreased by $605,589 and expenses decreased by $195,547. The revenue and expense decreases were primarily due to the decreases in HUD, ARRA and NYS funding.

**Budgetary Analysis**

There were no differences between the original adopted budget and the final budget.

Total revenues earned were below budgeted amounts by $122,247 and expenditures exceeded budgeted amounts by $146,432.

**Condensed Financial Statements**

The following are condensed Statements of Assets (Deficit), Liabilities and Net Assets as of December 31:

| | 2012 | 2011 | Dollar Change | Percent Change |
|---|---|---|---|---|
| Total Assets | $ 548,991 | $ 739,181 | $ (190,190) | (26%) |
| Total Liabilities | $ 709,441 | $ 630,954 | $ 78,487 | 12% |
| Net Assets (Deficit) | $ (160,452) | $ 108,227 | $ (268,679) | (248%) |

The following are condensed Statements of Revenues, Expenses and Change in Net Assets for the years ended December 31:

| | 2012 | 2011 | Dollar Change | Percent Change |
|---|---|---|---|---|
| Total Revenue | $ 1,219,182 | $ 1,824,771 | $ (605,589) | (33%) |
| Total Expenses | 1,487,860 | 1,683,407 | (195,547) | (11%) |
| Net Income (Loss) | (268,678 | 141,364 | (410,042) | (290%) |
| Net Assets, January 1 | 108,227 | (33,137) | | |
| Net Assets (Deficit), December 31 | $ (160,451) | $ 108,227 | $ (268,679 | (248%) |

HUNTINGTON COMMUNITY DEVELOPMENT AGENCY
STATEMENTS NET OF NET ASSETS
DECEMBER 31,

ASSETS

| | 2012 | 2011 |
|---|---|---|
| Cash | $ 516,979 | $ 670,709 |
| Accounts Receivable | 17,567 | 7,675 |
| Due from other governments | 6,568 | 60,797 |
| Prepaid expenses | 7,877 | - |
| Total Assets | $ 548,991 | $ 739,181 |

LIABILITIES AND NET ASSETS (DEFICIT)

| | | |
|---|---|---|
| LIABILITIES | | |
| Accounts payable | $ 10,604 | $ 85,456 |
| Due to other governments | 679,590 | 533,267 |
| Deferred revenue | - | 750 |
| Security deposits payable | 19,248 | 11,481 |
| Total Liabilities | 709,442 | 630,954 |
| NET ASSETS (DEFICIT) | | |
| Unrestricted net assets (deficit) | (160,451) | 108,227 |
| Total Net Assets (Deficit) | (160,451) | 108,227 |
| Total Liabilities and Net Assets (deficit) | $ 548,991 | $ 739,181 |

See accompanying notes and independent auditors' report.

HUNTINGTON COMMUNITY DEVELOPMENT AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31,

| | 2012 | 2011 |
|---|---|---|
| REVENUES | | |
| Federal Aid: | | |
| Community Development Block Grant | $ 795,380 | $ 974,435 |
| Program income | 83,490 | 195,244 |
| Miscellaneous local sources | 340,312 | 655,092 |
| Total Revenues | 1,219,182 | 1,824,771 |
| EXPENSES | | |
| Community Development Block Grants Programs: | | |
| Town wide rehabilitation | 621,425 | 635,309 |
| Rehabilitation administration | 164,823 | 219,013 |
| Planning and program support | 172,938 | 43,093 |
| Huntington Station revitalization | 9,497 | 27,284 |
| Fair housing education | 7,500 | 11,209 |
| John J. Flanagan Center | - | 7,227 |
| Reach CYA | 4,107 | 52 |
| Millenium Hills | 5,689 | 25,000 |
| Family service league | 14,959 | - |
| Total community development block grants expenses | 1,000,938 | 968,187 |
| Other Expenses | | |
| Restore and access home | - | 131,052 |
| Town down payment assistance | 27,900 | 82,413 |
| EDI Grant | - | 6,248 |
| EDC Mainstreet | - | 78,461 |
| Other non-federal expenditures | 229,282 | 183,134 |
| Other expenses | 229,740 | 233,912 |
| Total Expenses | 1,487,860 | 1,683,407 |
| Net Change in Net Assets | (268,678) | 141,364 |
| Net Assets (deficit) - beginning | 108,227 | (33,137) |
| Net Assets (deficit) - end | $ (160,451) | $ 108,227 |

See accompanying notes and independent auditors' report.

HUNTINGTON COMMUNITY DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

| | 2012 | 2011 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | $ (268,678) | $ 141,364 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activties | | |
| (Increase) decrease in accounts receivable | (9,892) | 4,908 |
| Decrease in due from NYS | - | 21,539 |
| Decrease in due from other governments | 54,229 | 61,102 |
| Increase in prepaid expenses | (7,877) | 7,057 |
| Decrease in accounts payable | (74,852) | (75,033) |
| Increase in due to other governments | 146,323 | 232,220 |
| Decrease in deferred revenue | (750) | (5,498) |
| Increase (decrease) in security deposits payable | 7,767 | (1,987) |
| Net cash provided (used) by operating activities | (153,730) | 385,672 |
| CASH AND CASH EQUIVALENTS - beginning | 670,709 | 285,037 |
| CASH AND CASH EQUIVALENTS - end | $ 516,979 | $ 670,709 |

See accompanying notes and independent auditors' report.

## 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### ORGANIZATION

The Huntington Community Development Agency (the "Agency") is a public benefit corporation created by New York State legislation. The purpose of the Agency is to act on behalf of the Town of Huntington, New York (the "Town") to promote the safety, health and welfare of the Town's inhabitants and to promote the sound growth and development of the Town. The Agency's principal source of revenue is from grants from the United States Department of Housing and Urban Development (HUD). The Agency is responsible for complying with the terms of the grant agreements. The Town Board presides as the Huntington Community Development Agency's Board. The Agency's management is designated by the Town Board. The Town Board is completely accountable for fiscal matters. The Agency is a component unit of the Town of Huntington and is reported by them as a special revenue fund in accordance with Governmental Accounting Standards Board (GASB) Statement 14 as amended by GASB Statement 39.

The financial statements present only the Huntington Community Development Agency, a component unit of the Town of Huntington, and do not purport to, and do not, present fairly the financial position of the Town of Huntington, New York, as of December 31, 2012 and 2011, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### BASIS OF ACCOUNTING

The financial statements of the Agency have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to proprietary funds on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The government-wide financial statements are the same as the fund financial statements for proprietary funds, so no additional adjustments or schedules were necessary. The first of these government-wide statements is the Statement of Net Assets. This is the Agency-wide statement of position presenting information that includes all of the Agency's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency as a whole is improving or deteriorating.

The second government-wide statement is the Statement of Activities which reports how the Agency's net assets changed during the current fiscal year. All current-year revenues and expenses are included regardless of when cash is received or paid.

### RELATED PARTY

The Organization is related through common management with the Town of Huntington. The Town Board serves as Directors of the Organization. Town of Huntington provides certain administrative and management services to the Organization. The costs of these services are not reflected in the accompanying financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES

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

NET ASSETS CLASSIFICATION

Net assets are categorized as follows:

a) Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b) Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c) Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

PROGRAM INCOME

Program income represents revenue received from individuals as repayment of the loans the Agency provides for rehabilitation of their homes. The Agency has two loan programs: a fixed-rate loan and a deferred loan program. Under the fixed rate loan program, the individual homeowner is required to make monthly payments at a low interest rate to the Agency. Under the deferred rate loan program, no monthly payments are made. However, upon death of the homeowner, sale or refinancing of the home, the loan is repaid by the homeowner. The money received from the repayment is credited to the rehabilitation budget and spent on the deferred loan program.

FEDERAL PROGRAMS

The Agency receives funds to provide housing assistance to low income families in Huntington, New York through various federal programs. Programs provide grants to individuals or organizations for the purchase, construction and rehabilitation of single and multi-family residential properties. Revenue is recognized as expenses are incurred under these programs. Funding from these programs has been fully utilized or obligated as of December 31, 2012.

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

## COMPENSATED ABSENCES

Employees of the Agency are entitled to paid vacations, sick days, and personal days off, depending on job classification, length of service and other factors. Compensated absences liability for 2012 and 2011 was approximately $126,000 and $102,000, respectively. The Town of Huntington, New York is responsible for the compensated absence liability of the Agency; as such the liability has been recorded on the Town of Huntington, New York's financial statements as long term liabilities. Accordingly, no liability has been recorded on the Agency's balance sheet. The Agency's policy is to recognize the costs of compensated absences when actually paid.

## CONCENTRATION OF CREDIT RISK

At December 31, 2012, the carrying amount of the Agency's deposits was $516,979. The Agency's bank deposits were fully covered by FDIC insurance.

## DEFERRED REVENUE

Deferred revenues represent grant funds that have been received but not yet spent.

## NEW ACCOUNTING STANDARD ADOPTED

During 2012, the Agency adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements ("GASB 62")*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance included in FASB pronouncements, which does not conflict with or contradict GASB pronouncements, and eliminates the criteria to apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements.

## RECENT ACCOUNTING GUIDANCE

During 2011 and 2012, the Governmental Accounting Standards Board (GASB) issued various updates application of hedge accounting termination provisions, deferred outflows and inflows of resources, financial reporting on pensions plans, and government combinations and disposals of government operations. These, and other updates, are either not yet effective for the Agency's financial statements or, when effective, will not or did not have a material impact on the Agency's financial statements upon adoption.

## RECLASSIFICATIONS

Certain 2011 balances have been reclassified to conform with the 2012 presentation. Such reclassification did not have an effect on the financial results reported.

## SUBSEQUENT EVENTS

The Agency has evaluated all events through April 1, 2013, the date which these financial statements were available to be issued, and determined that there are no subsequent events which require disclosure.

Israeloff, Trattner & Co. P.C.
CERTIFIED PUBLIC ACCOUNTANTS · FINANCIAL CONSULTANTS
1225 Franklin Avenue, Garden City, NY 11530 (516) 240-3300 Fax (516) 240-3310 www.israeloff.com

Other Office
New York, NY

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

To the Town Board Members
Huntington Community Development Agency
Huntington, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Huntington Community Development Agency (the "Agency"), a component unit of the Town of Huntington, New York, as of and for the years ended December 31, 2012 and 2011, the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated April 1, 2013.

## Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Israeloff, Trattner & Co. P.C.

Garden City, New York
April 1, 2013

Israeloff, Trattner & Co. P.C.
CERTIFIED PUBLIC ACCOUNTANTS · FINANCIAL CONSULTANTS
1225 Franklin Avenue, Garden City, NY 11530 (516) 240-3300 Fax (516) 240-3310 www.israeloff.com

Other Office
New York, NY

# INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Town Board Members
Huntington Community Development Agency
Huntington, New York

## Compliance

We have audited the Huntington Community Development Agency, (the "Agency") a component unit of the Town of Huntington, New York, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended December 31, 2012. The Agency's major federal programs are identified in the summary of auditors' 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 Agency's management. Our responsibility is to express an opinion on the 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 the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

In our opinion, the 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 December 31, 2012. The results of our auditing procedures disclosed no instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133.

## Internal Control Over Compliance

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

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

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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Agency, a component unit of the Town of Huntington, New York, as of and for the years ended December 31, 2012 and 2011, and have issued our report thereon dated April 1, 2013. Our audit was conducted for the purpose of forming an opinion on the financial statements of the Agency. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing 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 financial statements taken as a whole.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the Agency's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the Agency's compliance but not to provide an opinion on the effectiveness of the Agency's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Israeloff, Trattner & Co. P.C.

Garden City, New York
April 1, 2013

HUNTINGTON COMMUNITY DEVELOPMENT AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2012

| Federal Grantor Title | Federal CFDA Number | Federal Expenditures |
|---|---|---|
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | |
| Community Development Block Grant | 14.218 | $ 795,380 |
| Total Expenditures of Federal Awards | | $ 795,380 |

HUNTINGTON COMMUNITY DEVELOPMENT AGENCY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2012

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Huntington Community Development Agency and is presented in conformity with generally accepted accounting principles (GAAP) as applied to proprietary funds on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. 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. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. SUB-RECIPIENTS

Of the federal expenditures presented in the schedule, the Huntington Community Development Agency provided none of its federal awards to sub-recipients.

HUNTINGTON COMMUNITY DEVELOPMENT AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2012

## SECTION I - SUMMARY OF AUDITORS' RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Huntington Community Development Agency.

2. No significant deficiencies relating to the audit of the financial statements are reported in the 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.*

3. No instances of noncompliance material to the financial statements of Huntington Community Development Agency, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs are disclosed in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.

5. The auditor's report on compliance for the major federal award programs for the Huntington Community Development Agency expresses an unqualified opinion.

6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 in this Schedule.

HUNTINGTON COMMUNITY DEVELOPMENT AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS (CONTINUED)

7. The programs tested as major programs include:

| CFDA Number | Name of Federal Program |
|---|---|
| 14.218 | U.S. Department of Housing and Urban Development: Community Development Block Grant |

8. The threshold used for distinguishing between Type A and B programs was $300,000.

9. Huntington Community Development Agency qualified as a low risk auditee.

SECTION II: - FINANCIAL STATEMENT FINDINGS

None

SECTION III: - MAJOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV: - FOLLOW UP OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None