GLEN COVE
INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Glen Cove, New York)

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 2012

Prepared by:
Anne L. LaMorte
Financial Manager

THE CITY OF GLEN COVE
INDUSTRIAL DEVELOPMENT AGENCY
GLEN COVE, NEW YORK

A COMPONENT UNIT OF
THE CITY OF GLEN COVE, NEW YORK

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED DECEMBER 31, 2012

Prepared by:
ANNE L. LAMORTE
FINANCIAL MANAGER

Glen Cove Industrial Development Agency
(A Component Unit of the City of Glen Cove, New York)
Comprehensive Annual Financial Report
For The Years Ended December 31, 2012 and 2011

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INTRODUCTORY SECTION

Ralph V. Suozzi
Chairman

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Executive Director

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GLEN COVE

COMMUNITY DEVELOPMENT AGENCY
City Hall, 9 Glen Street, Room 311, Glen Cove, NY 11452

March 30, 2013

Board of Directors of
Glen Cove Industrial Development Agency
Glen Cove, NY

State Law requires the Glen Cove Industrial Development Agency ("IDA", the "Agency") publish a complete set of financial statements presented in conformity with the accounting principles generally accepted in the United States of America (GAAP) applied to governmental entities. The financial statements are to be audited by a certified public accountant in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Pursuant to that requirement, we hereby issue this Comprehensive Annual Financial Report (CAFR) of the Agency for the fiscal year ended December 31, 2012.

In addition to meeting legal requirements, this report is intended to present a comprehensive summary of significant financial data to meet the needs of citizens, taxpayers, and employees, financial institutions, intergovernmental agencies, creditors, partners and Glen Cove Industrial Development Agency's Board of Directors.

This Agency has produced the CAFR in conformance with the Governmental Accounting Standards Board (GASB) Statement 34. This report consists of management's representations concerning the finances of the Agency. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the Glen Cove Industrial Development Agency has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Agency's financial statements in accordance with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the Agency's comprehensive framework of internal controls has been designed to provide reasonable assurance rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Glen Cove Industrial Development Agency for it comprehensive annual financial report for the fiscal years ended December 31, 2008 through 2010. Due to financial constraints, the Agency did not apply for 2011. In order to be awarded a Certificate of Achievement a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Agency's financial statements have been audited by Tabriztchi & Co., CPA, P.C., a licensed certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Agency for the fiscal year ended December 31, 2012 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Agency's financial statements for the year ended December 31, 2012 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report, which can be found on pages 12 and 13.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Agency's MD&A can be found in the financial section of this report immediately following the report of the independent auditors. The Agency's MD&A can be found in pages 15 to 20.

PROFILE OF THE AGENCY

The Agency is a public benefit corporation, which was created by New York State legislation on May 17, 1974 at the request of the City of Glen Cove (the "City"). The Glen Cove IDA has the authority to help not-for-profit and qualified businesses to relocate, expand and build in the City of Glen Cove. Although the Agency is an entity independent of the City of Glen Cove government, the Mayor is the Chairman of the Agency and appoints all members of the Agency's Board of Directors. He and the Executive Director annually direct the Agency to implement development projects on the City's behalf.

The Agency's Board of Directors is comprised of five members appointed by the Mayor. The Agency's Board is responsible for hiring the Agency's Executive Director, whose responsibility it is to carry out the policies of the Board, to oversee the day-to-day operations of the agency, and to hire the heads of the various departments.

The Agency is considered a discretely presented component unit of the City of Glen Cove, because the City of Glen Cove Mayor appoints the Agency's Board of Directors, the City of Glen Cove is obligated for the indebtedness of the Agency.

The Agency's mission is to improve economic conditions in the City of Glen Cove. The Agency operates to attract, retain and expand businesses within its jurisdiction through the provision of financial incentives to private entities. The Agency is legally empowered to buy, sell or lease property and to provide tax exempt financing for approved projects. Real property owned or controlled by IDA is exempt from property and mortgage recording taxes, and the value of these exemptions can be passed through to assisted businesses. Moreover, purchases related to IDA projects can be exempt from State and local sales taxes. While IDA properties are tax exempt, businesses occupying IDA-owned properties typically make payments in-lieu-of-taxes (PILOTs) that are paid to the City of Glen Cove.

FACTORS AFFECTING FINANCIAL CONDITIONS

The City of Glen Cove is located in Nassau County, between Hempstead Harbor and Oyster Bay and faces the Long Island Sound. Glen Cove is accessible by the Long Island Expressway and Northern State Parkway via State Route 107 (Arterial Highway) and Glen Cove Road. The Long Island Rail Road and the Metropolitan Transportation Authority Long Island Bus System provide accessible public transportation to Glen Cove's residents. Glen Cove is an attractive waterfront community with a variety of housing opportunities and excellent natural resources.

Population

The following table presents population trends for the City of Glen Cove and other cities and towns in the Nassau County:

NASSAU COUNTY POPULATION TRENDS

	2011	2010	2000
City of Glen Cove	27,063	26,964	26,622
City of Long Beach	33,395	33,275	35,462
Town of Hempstead	762,539	759,757	755,923
Town of North Hempstead	227,163	226,322	221,132
Town of Oyster Bay	294,276	293,214	295,405
Total Nassau County	1,344,436	1,339,532	1,334,544

The population data is based upon the US Census data.

The population of the City increased by 342 (0%) and 99(0%), from the 2011 to 2010, respectively. The population increases for the entire county were 4,904 (.3%) and 4,988 (4%), from the 2011 to 2010, respectively. The City had relatively similar population increase as the City of Long Beach and less than the towns of Hempstead and Oyster Bay located in the County.

A new wave of migration has made Glen Cove's population increasingly diverse. Racially and ethnically, 74% of Glen Cove's residents are White, 28% Hispanic, 7% Black, and 5% Asian and the balance is other, according to 2010 Population Census. At 28%, the proportion of Glen Cove's Hispanic population to its total population is almost two times greater than the proportion in Nassau County in general. Regionally, roughly one-half of new immigrants to the United States are moving directly to the suburbs, rather than the traditional mode of moving first to the inner city. This is spurred by the fact that the suburbs are now major employment centers in their own right.

School enrollment can be used to indicate how Glen Cove's demographic profile is evolving. As of November 2007, there were slightly more than 2,900 Glen Cove youngsters enrolled in the Glen Cove school system (excluding pre-kindergarten, out-of-district, and Special Education students). Of these students, 400 students were born outside of the United States, representing 14 percent of the total. These figures would be higher if the American-born children of immigrants were also numerated.

Income

According to the US Census, estimates for 2011, the number of households, persons per household, median household income, per capita income and percentage of persons below the poverty line for the City of Glen Cove, Nassau County and New York State, were as follows:

NEW YORK STATE AND GLENCOVE DEMOGRAPHIC COMPARISON

	Glen Cove	State of New York
Households	9,677	7,215,687
Persons per household	2.68	2.59
Median household income	$69,093	$56,951
Per capita money income	$36,463	$31,796
Persons below poverty, percent	11.7%	14.5%

The median income for a household in the Census Designated area of the City was $69,093. Median family income was $74,346 and the per capita income for the City was $36,463. About 6.2% of families and 9.2% of the population were below the poverty line, and 11.7% of individuals and 14.5% of the population were below poverty level.

Economy of the City of Glen Cove

The City has been attracting retail tenants, particularly in the downtown business district. A wide variety of national and regional retailers and service providers are represented. In 2007, St. Christopher-Ottilie moved its headquarters to Glen Cove. This not-for-profit agency specializes in foster care, adoption and residential care for children and young adults. The organization employs over 2,500 employees in the metro New York area. The main office staffs totals 104 employees.

The School for Language and Communication Development has purchased and relocated to the old South School. The School serves as an international interactive school specializing in educating children with communication disorders in a mainstream school setting. The facility also includes a daycare center.

In June 2007, Photocircuits, one of the City's largest taxpayers, closed its factory located in the City. As a result of this closing, Photocircuits terminated approximately 740 employees working at its facilities. The Agency, the City and County officials are working closely with the management team from Photocircuits to identify new tenants and new uses for that facility.

The Agency has considered the national market trends in various industries and has acted proactively to protect and bolster Glen Cove's economic base. Mindful that industry will not return to the heyday of the Industrial Revolution, the Agency has also recognized the need to embrace the rebirth of the Glen Cove Creek waterfront with new forms of development.

The Glen Cove Industrial Development Agency, the City of Glen Cove and the Glen Cove Community Development Agency have worked to promote mixed-use development

EMPLOYMENT STATISTICS FOR VARIOUS AREAS IN LONG ISLAND

	February 2011				February 2010			
	Civilian		Unemployed		Civilian		Unemployed	
Area	Labor Force	Number Employed	Number	Rate	Labor Force	Number Employed	Number	Rate
Nassau-Suffolk	1,451,419	1,338,661	112,758	7.80%	1,473,320	1,356,270	117,050	7.90%
Nassau County	674,895	626,061	48,834	7.20%	685,725	634,242	51,483	7.50%
Freeport Village	22,197	20,119	2,078	9.40%	22,600	20,444	2156	9.50%
Glen Cove City	13,186	11,937	1,249	9.50%	13,400	12,126	1,274	9.50%
Hempstead Town	379,946	350,932	29,014	7.60%	385,697	355,233	30,464	7.90%
Hempstead Village	25,792	22,897	2,895	11,20%	26,252	23,272	2,980	11,40%
Long Beach City	19,157	17,741	1,416	7.40%	19,395	17,955	1,440	7.40%
North Hempstead Town	111,253	103,999	7,254	6.50%	113,099	105,530	7,569	6.70%
Oyster Bay Town	151,347	141,452	9,895	6.50%	154,122	143,397	10,725	7.00%
Rockville Centre Village	12,247	11,726	721	5.80%	12,705	11,902	803	6.30%
Valley Stream Village	18,492	17,085	1,407	7.60%	18,659	17,238	1,421	7.60%

on the north side of Glen Cove Creek, mindful that luxury housing can provide and support significant public parks and amenities.

Tourism is stimulated by the use of Glen Cove Creek and Hempstead Harbor for pleasure crafts. Several estates have been re-envisioned as bases for institutions and a conference center. Industry and offices have flourished in the south of Glen Cove, which is accessible to the major highways. The land at Glen Cove Creek is undergoing remediation at vacant and contaminated industrial sites in preparation for mixed-use redevelopment.

Industry in that area has proven durable and includes public maintenance yards and the sewage treatment plant.

The 2000 Census job and income statistics indicate that Glen Cove's average and median household income levels ($71,950 and $55,500, respectively) are substantially lower than those of Nassau County ($95,000 and $72,000, respectively. The number of service workers in Glen Cove exceeds that of Nassau County (20 percent and 13 percent), which is also indicative of the percentage of white collar workers Glen Cove and Nassau County (61 percent and 71 percent). The State of New York Department of labor provides the following information concerning impact of the recession on employment and unemployment in the City of Glen Cove, Nassau County and Nassau and Suffolk Counties.

The average unemployment rate in the City of Glen Cove was 7.0% as of August 2012 compared to 8.8% in NY Sate. The number of employed persons were 11,937 and 12,126 in 2011 and 2010, respectively.

Prices

The annual rate of increase in consumer price index in New York-Northern New Jersey-Long Island, NY-NJ-CT-PA, not seasonally adjusted was as follows:

INCREASE IN CONSUMER PRICE INDEX (CPI)	
Year	Average Percentage Increase
2003	2.8
2004	3.5
2005	3.6
2006	3.6
2007	2.6
2008	4.0
2009	2.0
2010	2.0
2011	2.3
2012	2.3

Housing

According to March 21, 2011 report of Association of realtors the US existing home sales which are completed transactions that include single-family, townhomes, co-ops, and condominiums dropped 9.6 percent to a seasonally adjusted annual rate of 4.88 million in February from an upwardly revised 5.40 million in January, and are 2.8 percent below the 5.02 million pace in February 2010.

In the Northeast region, existing-home sales in the Northeast fell 7.2 percent to an annual pace of 770,000 in February and are 8.3 percent below February 2010. The median price in the Northeast was $230,200, down 9.5 percent from a year ago.

Glen Cove's landscape is suburban with over 90 percent of the dwelling units in detached housing. Glen Cove shows greater diversity than Nassau County does (where over 75 percent of the units are single-family detached homes). The scale of housing is low, with a preponderance of two-family dwellings (20 percent) and three-family dwellings (18 percent), as opposed to apartment buildings of four or more units (7 percent). In comparison to Nassau County, Glen Cove contains a smaller percentage of owner-occupied units (58 percent and 80 percent) and a larger percentage of renter-occupied units (41 percent and 19 percent).

Though the rental formats are generally in low density two- and three-family formats, there appears to be a significant absence of owners on premises. Currently, there is 58 percent owner occupancy, whereas the total owner occupancy would have been 71 percent, if all of the single-family homes were owner-occupied, one-half of the two-family units were owner-occupied and one-third of the three-family units were owner occupied.

While Glen Cove's economic and racial diversity are reflected in population and housing data, home valuation numbers point to the wealth of some Glen Cove residents, as well as the potential difficulties many Glen Cove residents face in finding affordable housing. In 2000, the median value of owner-occupied housing units in Glen Cove exceeded that of Nassau County ($260,000 and $250,000).

While the market value of housing in Glen Cove may be out of reach for a number of residents, Glen Cove also happens to contain a larger share of affordable units than other communities on the North Shore. Glen Cove is currently home to 340 federally subsidized (Section 8) units and 250 affordable units administered by the City of Glen Cove Housing Authority; there are a total of 590 units. Plans are in development to complete a mixed-income development on former Housing Authority property. This development will provide an additional 20 Section 8 home ownership units and 20 workforce housing units. After completion, the total inventory of affordable housing will be 630 units, representing approximately 6 percent of all units in Glen Cove.

MAJOR INITIATIVES

Glen Cove Waterfront Revitalization Project

The City, the Glen Cove CDA, and the IDA have been working together to reclaim the properties surrounding Glen Cove Creek and restore them for enhanced uses. The Glen Cove Waterfront is located in Glen Cove's Urban Renewal Area and in a Nassau County Empire Zone.

The City and its federal, state and local partners have remediated over 40 acres along Glen Cove Creek including the Captain's Cove Superfund site and a portion of the LI Tungsten Superfund site. Special economic development funding is a necessary component for the completion of this Urban Renewal Project. CDA manages the activities which prepare the redevelopment area for disposition and redevelopment. Such activities include further site investigation and cleanup support, surveying, professional engineering, appraisal services, legal services, and payment of interest on a Section 108 Loan used to purchase the properties along the waterfront.

In 2003, the Glen Cove IDA signed a Land Disposition Agreement with a private developer for the redevelopment of more than 46 acres along the north side of Glen Cove Creek. This development will reclaim the area for Glen Cove residents and allow much-needed public access to the waterfront.

Currently, the developer has designed a plan that will incorporate sound environmental practices with commercial, residential and recreational elements. This plan has been approved by the IDA and CDA boards and will be presented to the City of Glen Cove Planning Board.

ANTICIPATED ACCOMPLISHMENTS

Waterfront Development Project

The Final Environmental Impact Statement, ("FEIS") was approved by the Planning Board on December 18, 2011. The FEIS addresses a redevelopment program that includes 860 residential units, including 180 rental apartments, and 86 units of workforce housing; a 250 suite luxury hotel including banquet and meeting facilities, a luxury spa, and restaurant; 50,000 Sq. of office space; 25,000 Sq. of retail and restaurants, including outdoor dining at the head of the creek overlooking Hempstead Harbor; 85 new boat slips; and nearly 20 acres of accessible public open space along the waterfront and adjacent to the Garvies Point Preserve. In October 2012, the Planning Board approved the Phase I Site Plan for the waterfront project. The Agency is currently remediating the last parcel of land. The Developer has agreed to do the maintenance on the property as well and put up signs and fences. When construction begins on this project it is estimated to create 9,500 construction jobs and 600 full time jobs upon construction completion.

Other Projects

The Agency is currently working with GCVS, LLC on the redevelopment of the Downtown Village Square known as the "Piazza". This $60 million dollar project will require the issuance of bonds for financing. The project will bring additional revenues for the Agency and also improvement in employment conditions and the City tax basis. This project is projected to begin in 2013.

The Agency is also working with National Healthplex, The Regency at Glen Cove, in their expansion from 96 to 121 units including a secure 22 room Memory Care Unit. The

Regency will be meeting with IDA regarding and amended PILOT in March of 2013.

The IDA is working in conjunction with the CDA on the Downtown Gateway to the Waterfront, Phase II, this study will provide the Agencies with a marketing plan to attract businesses to Glen Cove. The plan will be reviewed and approved by NY State in 2013.

Budgetary Controls

The objective of budgetary controls maintained by the Agency is to ensure compliance with the budgets approved by the Board of Directors. Activities of the Agency are included in the Agency's annual budgeting process. The annual budget is proposed by the Executive Director and submitted to the Board of Directors for approval.

The budgets can be amended during the year. The Executive Director is authorized to make transfers within administrative budget lines. All other amendments require approval from the Agency's Board of Directors. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

The Agency's Board of Directors also adopts and uses program budgets, which in total comprise the Agency's financial plan. The program budgets do not expire at the year end and are extended until the programs are completed. The completion of the programs may require several years. The Board may amend the budget as necessary.

Acknowledgements

We would like to commend the staff of the Agency for their efficient and dedicated service in helping to prepare this report. We would also like to thank the Board of Directors and Executive Director for their support in planning and conducting the financial operations of the Agency in a responsible and progressive manner. We would like to express our thanks to our auditors, Tabriztchi and Co., CPA, P.C., for their most valuable assistance in preparation of this report.

Respectfully submitted,
Anne LaMorte,
Financial Manager
Glen Cove Industrial Development Agency

BOARD MEMBERS

CHAIRMAN

Hon. Mayor Ralph V. Suozzi

BOARD OF DIRECTORS

Vincent Hartley, CPA
Vice Chairman/Treasurer
Carmine Filippone
Patricia Bourne
Theresa Moschetta

GOVERNANCE COMMITTEE

Chairman Ralph V. Suozzi
Patricia Bourne

AUDIT /FINANCE COMMITTEE

Vincent Hartley, CPA- Chairman
Carmine Filippone

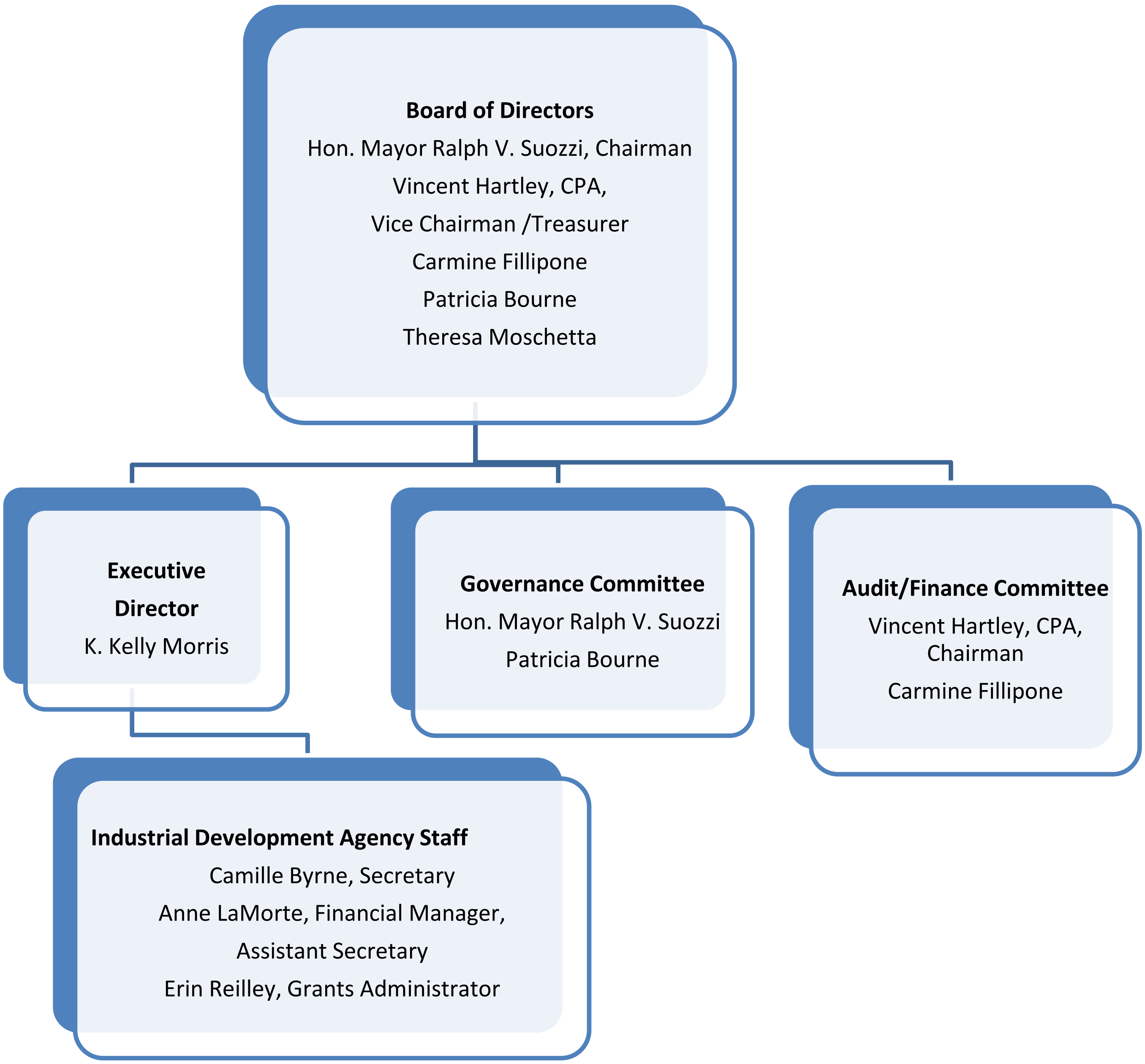
EXECUTIVE DIRECTOR

K. Kelly Morris

INDUSTRIAL DEVELOPMENT AGENCY STAFF

Camille Byrne, Secretary
Anne LaMorte, Financial Manager/Assistant Secretary
Erin Reilley, Grants Administrator

CITY OF GLEN COVE INDUSTRIAL DEVELOPMENT AGENCY ORGANIZATIONAL CHART



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Honorable Mayor Ralph Suozzi,
Board of Directors and Members
Glen Cove Industrial Development Agency
Glen Cove, New York

We have audited the accompanying Financial statements of the Glen Cove Industrial Development Agency (IDA), a component unit of the City of Glen Cove, New York, which comprise of the statements of net position as of December 31, 2012 and 2011 and the related statements of revenues, expenses and changes in net position and cash flows for the two years then ended 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the Industrial Development Agency, a component unit of the City of Glen Cove, as of December 31, 2012 and 2011 and the related statements of revenues, expenses and changes in net position and cash flows for the two years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 15-20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the Glen Cove Industrial Development Agency's financial statements. the supplementary information required for statutory filing, pages 45-48, under General Municipal Law 859, including: Straight-lease agreements; all bonds and notes issued, outstanding or retired during the fiscal year; the name of each project financed with proceeds with of each issue; the name and address of each owner of each project; the amount of tax exemptions authorized for each project; the purpose for which each bond or note was issued; date of issue, interest rate, maturity date, federal tax status, payments in lieu of taxes and an estimate of the number full time equivalent jobs created and retained by each project are presented for purposes of additional analysis and are 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 certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information required for statutory filing, pages 45-48, under General Municipal Law 859 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2013 on our consideration of the Glen Cove Industrial 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* in considering Glen Cove Industrial Development Agency's internal control over financial reporting and compliance.

Tabriztchi & Co., CPA, P.C.

Garden City, NY
March 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Glen Cove Industrial Development Agency, we offer readers of the Agency's basic financial statements this narrative analysis of the Agency's financial performance and an overview of the Agency's financial activities for the years ended December 31, 2012 and 2011. Please read this information in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

The Agency's financial condition was affected by the adverse impact of decline in real estate prices in the area on the value of the Waterfont properties being developed. The following are financial highlights:

- Total assets as of December 31, 2012 were $17,084,282 and excedeed liabilities in the amount of $2,604,150 (i.e. net position.) Net position is comprised of Capital Assets of $1,992, and restricted net position of $2,602,158, for expenditures related to the Enivronmental Protection Agency contract. Total assets decreased by $3,485,651 (-17%) from December 31, 2011 to 2012. This is primarliy due to the impairment of the waterfront property. Due to the decline in the real estate market values in the area, based on the appraisal done in October 2012 and the Agreement Letter of Sale, dated December 6, 2012, the Waterfront property was revalued at $15M.
- The increase in net position of $1,135,270 (77%), was due to the an increase in the revenues from the developer of $2,570,333 and the forgiveness of debt by the CDA of $4,989,225. The utilization of the net position that will be received from sale of the Waterfront land is restricted for the contingent reimbursement of the amounts owed to the CDA, the City and the Enviromental Protection Agency (EPA) for its remediation expenditures.
- Operating revenues increased by $2,858,898 (3,066%) from $93,252 in 2011 to $2,952,150 in 2012. The increase is primarily due to the revenues from developer of $2,570,333. The other revenues included administrative fees and bid deposits of $8,901, and Brownfield Grant revenues received of $372,916. The $93,252 revenue in 2011 was for administrative fees and grants.
- Total operating expenses increased by $6,548,172 (2,536%) from $258,224 in 2011 to $6,806,396 in 2012. The increase was primarily due to the $6,029,218 increase of the impairment of of Waterfront property and $488,091 additional contractual expenses for remediation construction.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis ("MD&A") serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the Agency's financial condition and performance. Summary financial statements data, key financial and operational indicators used in the Agency's strategic plan, operating plan, bond covenants and other management tools were used for this analysis.

The financial statements report information about the Agency. The Agency applied full accrual accounting methods as used by similar business activities in the private sector. The statements offer short and long-term financial information.

The financial statements include statement of net position; statement of revenues, expenses and changes in net position; statements of cash flows and notes to the financial statements. The statements of net position include all of the Agency's assets and liabilities and provides information about the nature and amount of investments.

The statement of revenues, expenses and changes in net position presents the results of the business activities over the course of the year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides information about whether the Agency has successfully recovered its costs through its user fees and other charges, profitability and credit worthiness.

The statements of cash flows presents changes in cash and cash equivalents resulting from operating, financing and investing activities. The statements present cash receipts and cash disbursements information, without consideration of the earning events, when an obligation arises or depreciation of capital assets occurs.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Agency's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. Supplementary information has been included as required for statutory filing under General Municipal Law 859.

FINANCIAL ANALYSIS OF THE AGENCY

One of the most important objectives of the financial analysis is to determine if the Agency as a whole is better or worse off as a result of the year's activities. The net positions and the statement of revenues, expenses and changes in net position provide useful information in this regard. The statements report the net position of the Agency and changes in net position. The amount of net position, the difference between total assets and deferred outflows and liabilities and deferred inflows, is a significant measure of the financial health or financial position. Over time, increases or decreases in the Agency's net position are indicators of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation should be considered in evaluating the financial conditions of the Agency.

The following comparative condensed financial statements and other selected information serve as the financial data and indicators for management's monitoring and planning.

NET POSITION

A summary of the Agency's net positions at December 31, 2012, 2011, and 2010 are presented in the following table and Charts 1 and 2 on the following page.

NET POSITION
December 31,

	2012	2011	2010
Assets			
Current and other assets	$17,082,290	$20,567,179	$18,865,231
Capital assets, net	1,992	2,754	3,516
Total assets	17,084,282	20,569,933	18,868,747
Liabilities			
Long-term liabilities	14,076,741	19,088,540	17,179,621
Other liabilities	403,391	12,513	55,445
Total liabilities	14,480,132	19,101,053	17,235,066
Net position			
Net investment in capital assets,	1,992	2,754	3,516
Restricted net assets	2,602,158	1,391,719	1,562,869
Unrestricted net position	-	74,407	67,296
Total net position	$2,604,150	$ 1,468,880	$ 1,633,681

The Agency expensed the bond issuance costs of $17,819, which were incurred and deferred in the year ended December 31, 2010, and restated the financial statements for 2010 and 2011, accordingly.

The amount of current and other assets decreased by $3,484,889 (-17%) from $20,567,179 in 2011 to $17,082,290, in 2012. The amount of increase in prior the year was $1,701,948 (9%), from $18,865,231 in 2010 to $20,567,179 in 2011. The development costs of the Waterfront land held for sale and the impairment of the land were the primary reasons for the decrease of the current and other assets.

The land held for sale is the major asset owned by the Agency and accounts for $15,031,650 (88%) of the total assets. The costs incurred in redevelopment of the land were $585,914 in 2012 as compared to $1,694,837 in 2011. The impairement charge of $6,029,218 was the reason for the decrease of the value of the property to the agreed sale amount. The acquisition legal fees of the Doxey property was the other principal factor increasing the development costs during 2011.

Total liabilities decreased by $4,620,921(-24%) and $1,865,987 (11%), as of December 31, 2012 and 2011, respectively. The IDA's current liabilities increased by $390,878, (3,124%) from $12,513, on December 31, 2011, to $403,391, on December 31, 2012. The increase reflected the amount owed to several vendors for the Waterfront development costs. The non-current liabilities decreased by $5,011,799 (-26%), from $19,088,540, on December 31, 2011, to $14,076,741, on December 31, 2012. The increase represents the additional funds owed to the City of $179,663 for interest and rent and a decrease owed to the CDA for the forgiveness of debt of $4,989,225 and an increase in amounts owed to CDA for adminastrtive and other expenses of $232,197. The amount of increase in liabilities to the City and CDA for the reimbursable Waterfront Development expenses were $1,257,858 in 2011.

In 2007, the IDA entered into an agreement with the City regarding the interest on the amounts it owed to the City. The agreement provided for a payment of annual interest on the net amount "due to the City" at the end of each year. All amounts due to the CDA and the City will be reimbursed upon the sale of the Waterfront Property. For the years ended December 31, 2012 and 2011, the interest rates used to compute the annual interest costs were 0.5105% and 0.727% and the amounts of accrued interest, during construction, were $45,128 and $27,251, respectively.

On September 9, 2008, the CDA, HUD and Nassau County, closed on a new Section 108 loan of $1.5 million. The proceeds of the loan were used to purchase and remediate the Doxey property included in the Waterfront Development. This agreement was further increased on October 13, 2009 to include an additional $850,000 for an aggregate 108 loan amount of $7,095,000.

CHART 1

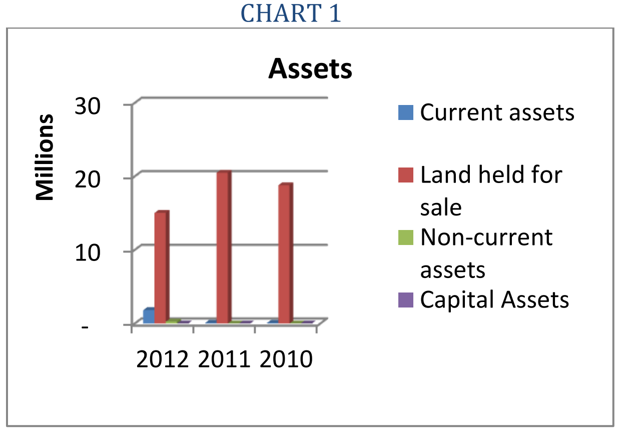
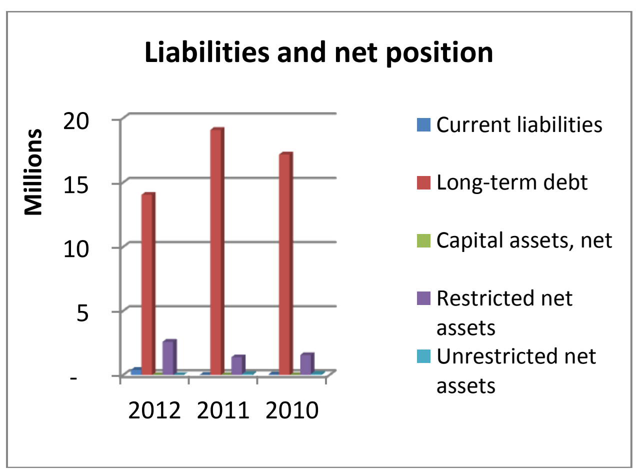


CHART 2



OPERATING RESULTS

The Agency's condensed statements of revenues, expenses and changes in net position are presented in the table below and Chart 3.

REVENUES, EXPENSES AND CHANGES IN NET POSITION	2012	2011	2010
Operating Revenues			
Revenues- from Developer	$2,570,333	$ --	$ --
Fees and other income	381,817	93,252	17,400
Non-operating revenues			
Gain on forgiveness CDA	4,989,225	--	
Interest	291	171	202
Total revenues	7,941,666	93,423	17,602
Operating Expenses			
Salaries and benefits	177,485	146,622	187,327
Impairment of land held			
For development and sale	6,029,980		
Contractual and other	598,931	111,602	74,740
Total operating expenses	6,806,396	258,224	262,067
Non-operating Expenditures	--	--	--
Total expenditures	6,806,396	258,224	262,067
Increase (decrease) in net position	1,135,270	(164,801)	(244,067)
Net position, January 1	1,468,880	1,633,681	1,878,146
Net position, December 31	$2,604,150	$1,468,880	$1,633,681

The majority of the Agency's revenues are derived from one time administrative fees on taxable bonds funded through the Agency, and a straight lease fee. Additionally, the Agency imposes a counsel fee and a closing fee.

Operating revenues increased by $2,858,898 (3,066%) from $93,252 in 2011 to $2,952,150 in 2012. The increase is primarily due to the advance receivable from RXR-GI, the Developer of $2,570,333 and Brownfield Grant of $372,916. The balance of $8,901 was from admin fees and bid deposits. The $93,252 revenue in 2011 was for administrative and legal fees and grant.

CHART 3

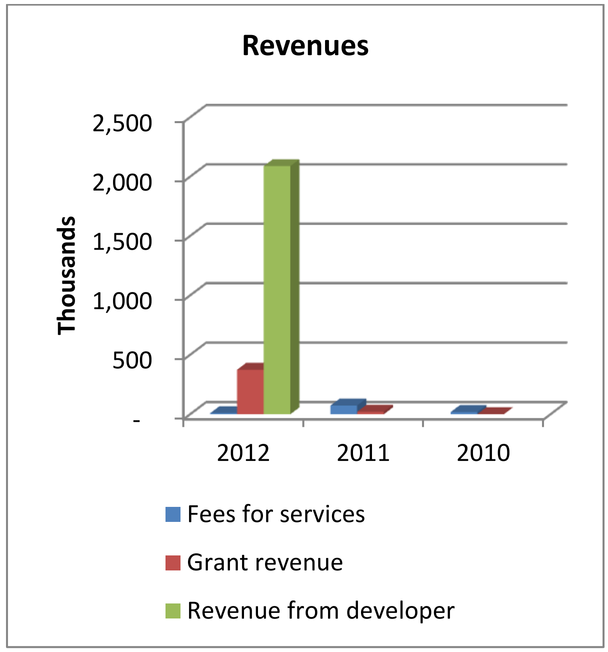
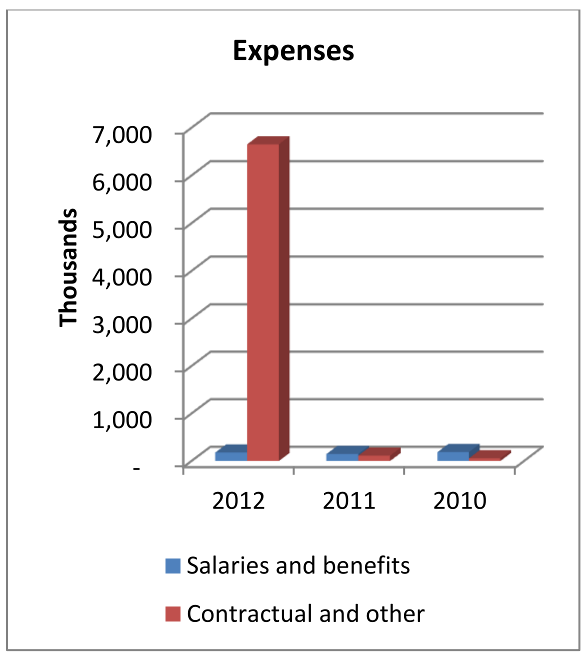


CHART 4



The CDA reduced the amounts due from the IDA by $4,989,225, due to the increase in the impairment of the Waterfront property to the agreed sales price of $15M.

As a result of increase in operating and non-operating revenues exceeding expenditures, the net position increased by $1,135,270 (77%) from $1,468,880 in 2011 to $2,604,150 in 2012. The net position had decreased by $182,620 (-12%) from 2011 to 2010.

Debt Management

The GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, requires debt issuance costs, except any portion related to prepaid insurance costs, be recognized as an expense in the period incurred.

In addition, the financial statements should be restated to eliminate the deferral of any prior issuance costs from the statement of net position and recognize them as an expense either in the year incurred if that year is presented or as an adjustment to the net position for the first year presented.

The Agency expensed the bond issuance costs of $17,819, which were incurred and deferred in the year ended December 31, 2010, and restated the financial statements for 2010 and 2011, accordingly.

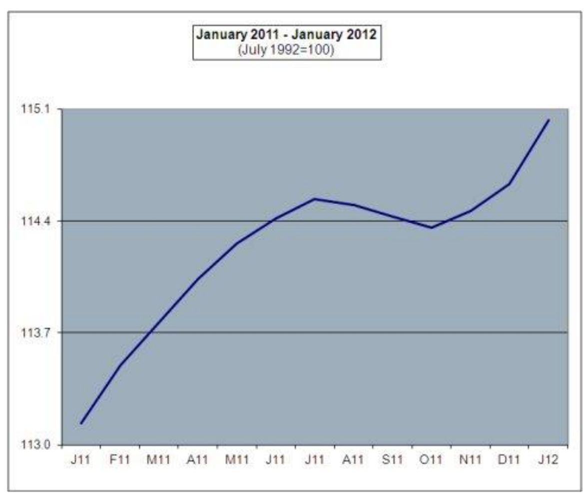
At the year end the Agency had $14,827,833 of industrial development revenue bonds that are secured by property, which is leased to companies who had received the bond proceeds. The bonds are retired by lease payments collected from these companies.

The bonds are not obligations of the Agency and the Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts. Its primary function is to arrange financing between the borrowing companies and the bond and note holders. Trustees or banks acting as fiscal agents control funds arising from these transactions. The Agency monitors the compliance of the organizations with the provisions of the bond contracts.

At the year end the Agency owed $9,835,124 to the CDA and $4,024,990 to the City of Glen Cove. The CDA pays payroll expenses on behalf of the Agency Waterfront Development Project Costs and then charges the Agency. The CDA funds are obtained from Community Development Block Grant (CDBG) and Section 108 loans. Also, the City may provide loans to the Agency, and pay for personnel and interest expenses pertaining to the waterfront on behalf of the Agency, and charges the Agency for these payments.

The indebtedness to the City and CDA will be paid from the proceeds of the sale of Waterfront properties. More information on long-term debt activity can be found in Note 6, page 20-21, "Amounts due to or from the City and CDA."

In January 2013, the New York State Department of Labor's Index of Coincident Economic Indicators (ICEI) for New York State increased at an annual rate of 3.4%. This follows an annual rate of increase of 0.9% in December 2012. Over the past year, the ICEI has increased by 1.3%.



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 under 2½ years in length, while the last four national recessions have averaged just over one year in duration.

On December 2012, the unemployment rate in the City of Glen Cove was 7.0% as compared to 7.1% in the Nassau County, 8.2% in New York State and 7.6% nationally. The price increases in the Northeastern United States, as measured by the Consumer Price Index for all urban consumers, was 2% over the last 12 months.

COMPARISON OF U.S. AND NEW YORK STATE RECESSIONS

Dates in U. S. (Peak-Trough)	Length (months)	Dates in NYS (Peak Trough)	Length months	NYS Change in Jobs: Net (in 1000s)	NYS Change in Jobs: 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	-4.4%

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

The Agency has considered the above and other factors in developing its plan for the next year. The IDA, in cooperation with the City of Glen Cove and the Glen Cove Community Development Agency, plans to continue its efforts in redevelopment of the Waterfront Property. In addition, the IDA plans to expand its assistance to the businesses located in the City through federal tax exempt revenue bonds, local property tax abatement, sales tax exemptions for construction materials and mortgage recording tax exemptions.

Contacting the CDA's Financial Management

This financial report is designed to provide the reader with a general overview of the IDA's finances and to demonstrate the IDA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Community Development Agency, Executive Director at (516) 676-1625.

BASIC FINANCIAL STATEMENTS

GLEN COVE INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Glen Cove)
STATEMENT OF NET POSITION
DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS		
Current assets		
Cash and cash equivalents	$ 197,554	$ 91,226
Receivable from developer (current portion)	1,515,000	
Accounts receivable	338,086	1,000
Total current assets	2,050,640	92,226
Noncurrent assets		
Land held for resale	15,031,650	20,474,953
Equipment, net	1,992	2,754
Total non-current assets	15,033,642	20,477,707
Total assets	17,084,282	20,569,933
LIABILITIES AND FUND EQUITY		
Current liabilities		
Accounts payable and accrued expenses	401,280	9,876
Deferred compensation – current	2,111	2,637
Total current liabilities	403,391	12,513
Noncurrent liabilities		
Deferred compensation	8,446	10,548
Other post-retirement benefits	208,181	157,679
Due to Developer	-	482,834
Due to the City of Glen Cove Community Development Agency	9,835,124	14,592,152
Due to the City of Glen Cove	4,024,990	3,845,327
Total non-current liabilities	14,076,741	19,088,540
Total liabilities	14,480,132	19,101,053
Net position		
Net investment in capital assets	1,992	2,754
Restricted to repayment of the debt	2,602,158	1,391,719
Unrestricted net position	-	74,407
Total net position	$ 2,604,150	$ 1,468,880 *

*The unrestricted net position for 2011 was restated due to expensing deferred loan cost in 2010.

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

GLEN COVE INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Glen Cove)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

		2012		2011
Operating Revenues				
Fees and other income	S	8,901	$	72,638
Revenues from developer		2,570,333		--
Grant revenue		372,916		20,614
Total operating revenues		2,952,150		93,252
Operating Expenses				
Salaries and benefits		177,485		146,622
Contractual expenses		598,931		110,840
Depreciation expense		762		762
Impairment of property		6,029,218		-
Total operating expenditures		6,806,396		258,224
Operating income or (loss)		(3,854,246)		(164,972)
Non-operating income				
Gain on forgiveness of Community Dev. Agency		4,989,225		--
Interest		291		171
Total non-operating income (loss)		4,989,516		171
Changes in net position		1,135,270		(164,801)
Net position, January 1		1,468,880		1,633,681
Net position, December 31	$	2,604,150	$	1,468,880*

*The unrestricted net position in 2011 was restated due to expensing deferred loan costs in 2010.

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

GLEN COVE INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Glen Cove)
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

		2012		2011
Cash flows from operating activities:				
Fees received for services and other income	$	8,901	$	127,427
Grant income		35,830		
Revenues from developer		572,500		
Payment of salaries and benefits		(129,610)		(30,000)
Cash payments to suppliers of goods and services		(381,584)		(131,062)
Net cash used in operating activities		106,037		(33,635)
Cash flows from noncapital financing activities:				
Advance from developer		--		75,000
Cash provided by noncapital financing activities		--		75,000
Cash flows from investing activities:				
Interest		291		171
Net cash provided by investing activities		291		171
Net change in cash and cash equivalents		106,328		41,536
Cash and cash equivalents, beginning of year		91,226		49,690
Cash and cash equivalents, end of year	$	197,554	$	91,226

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

GLEN COVE INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Glen Cove)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

		2012		2011
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	$	(3,854,246)	$	(164,972)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation		762		762
Accounts receivable		(337,086)		34,425
Receivable from developer		(1,515,000)		--
Land held for resale		(585,914)		--
Accounts payable and accrued expense		391,405		(43,120)
Due to Developer		(482,834)		
Other post-employment benefits		50,502		52,384
Deferred compensation		(2,628)		937
Due to component unit of City-CDA		232,196		423,929
Property held for sale		6,029,218		(556,237)
Due to the City of Glen Cove		179,662		218,257
Net cash used in operating activities	$	106,037	$	(33,635)

SUPPLEMENTARY SCHEDULE OF NON - CASH TRANSACTIONS

None

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Glen Cove Industrial Development Agency's (the "IDA, "Agency") accompanying financial statements are prepared on an accrual basis in accordance with U.S. generally accepted accounting principles, as set forth by the Governmental Accounting Standards Board (GASB). Revenues and expenses are recognized when earned and incurred, not when received or paid.

Capital assets, except land and construction in process, are depreciated over their useful lives. (See the notes to the financial statements for significant accounting policies).

A. Reporting Entity

The Agency was created by a special act of the New York State Legislature on May 17, 1974. Under the provisions of Chapter 374 of the 1974 Laws of New York State, the purpose of the Agency is to encourage economic growth in the City of Glen Cove. The Agency is exempt from federal, state and local income taxes. The Agency's principal activity and source of revenue has been the issuance of Industrial and Civic Revenue Bonds and Straight Lease Agreements. The fees received from the issuance of the bonds and straight lease agreements have been expended for legal services, the development of the Glen Cove Waterfront, and infrastructure.

All significant activities have been included in the Agency's general-purpose financial statements for the year ended December 31, 2012. The City of Glen Cove exercises oversight responsibility over the Agency and the Agency is a component unit of the City of Glen Cove. The following criteria regarding the manifestation of oversight were considered by the Agency in its evaluation of the Agency activities:

- Financial interdependency - The Agency is responsible for its debts and is entitled to surpluses. The City of Glen Cove is not responsible for the Agency's debt or entitled to surplus. The Agency does not receive financial benefit nor does it impose financial burden on the City of Glen Cove with the exception that the IDA is covered against personal injury, workers' compensation and other risks under the City's self-insurance program.
- Appointment of Government Authority - the City of Glen Cove, the primary government, appoints all members of the organization's governing body, the Board of Directors. The governing board is exclusively responsible for all decisions.
- Appointment of management - The officers of the Agency are appointed by the Board of Directors. The activities under the purview of the management are within the scope of the reporting entity and the management is responsible to the Board of Directors.
- Ability to significantly influence operations - The City of Glen Cove can significantly influence the Agency's operations. This authority includes, but is not limited to, adoption of the program budgets, control over assets, including facilities and properties, short term borrowing, signing contracts, and developing new programs.
- Accountability for fiscal matters - The responsibility and accountability over the Agency's fund is vested in the Agency's management.

B. Basis of Accounting and Measurement Focus

The Glen Cove Industrial Development Agency uses the enterprise fund (proprietary fund) to account for its activities. The measurement focus of the proprietary fund is the flow of economic resources. With this measurement focus, all assets and liabilities associated with the operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

As a proprietary fund, the Agency uses the accrual basis of accounting, and economic resources measurement focus. Under this method, revenues are recognized when earned and expenses are recognized when incurred. The Agency's unbilled receivables are recognized as revenues at year-end.

Following the recommendation of GASB 20, the Agency has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, including amendments to the statements that are issued after that date. Also, in accordance with the Statement of the Governmental Accounting Standards Board (GASB) Number 20, "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*," the City applies all applicable interpretations issued on or before November 30, 1989 that do not conflict with GASB pronouncements. After November 30, 1989, the City exclusively applies all applicable GASB pronouncements.

C. Cash and Cash equivalents

In 1992, the Agency adopted GASB statement 9 "*Reporting Cash Flows of Proprietary and Nonexpendable Trust funds and Governmental Entities that Use Proprietary Fund Accounting*." For purposes of reporting cash flows, all liquid investments (including restricted assets) with original maturity of three months or less are considered cash equivalents.

D. Accounts Receivable

Accounts receivable balances are reflected net of allowance for doubtful accounts. The allowance for doubtful accounts is the Agency's best estimate of the probable losses in the existing accounts receivable balance. The Agency did not have any doubtful accounts on December 31, 2012 and 2011.

E. Capital Assets and Long-Term Liabilities

Capital Assets

As a proprietary fund, the capital assets and long-term liabilities of the Agency are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with its activities are included on the net position. As a proprietary fund, the operating statements of the Agency present increases (revenues) and decreases (expenses) in net position.

Property, plant, and equipment acquired by the Agency are stated at cost (or estimated historical cost) including interest capitalized during construction, where applicable. Contributed assets are recorded at fair market value at the date received. There are no reversionary interests by the grantor in any of the assets, the date of donation in the case of gifts. The Agency capitalizes assets whose cost exceeds $500.

Depreciation of all exhaustible fixed assets used by the Agency is charged as an expense against its operations. Accumulated depreciation is reported on the net position. Depreciation is provided over the estimated useful life of the assets.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 25-40 years for buildings, 10-17 years for improvements other than buildings, and 3-5 years for equipment.

The Agency's measurement focus on income determination and capital maintenance requires the net amount of interest cost for qualifying assets to be capitalized during the construction. The Agency has capitalized the interest expenses of the amounts owed to the City of Glen Cove for the Waterfront Development Project.

F. Net position

Restricted net position

Restricted net position represent only the amounts with externally imposed restrictions (e.g. through debt covenants or by grantors) or restrictions imposed by the law. The Agency's restricted net position includes the net excess of the cost of land held for sale over the agencies long term debt and other liabilities of the Agency. The agreements with the Environmental Protection Agency, the City, and the CDA restrict the use of these funds (Note 7) page 33-34. The Agency's net position was restated to eliminate bond issuance costs of $17,819, which were incurred and deferred in the year ended December 31, 2010 and 2011.

Unrestricted Net position

Unrestricted net position represents the Agency's cash and accounts receivable.

G. Operating and Non-operating Revenues and Expenses

Operating revenues generally result from providing goods and services to individuals or entities separate from the Agency. Operating revenues and expenses are related to operating transactions. The operating transactions are those other than capital and related financing activities, noncapital financing activities, investing activities and non-exchange revenues. Operating revenues of the Agency includes administrative fees charged by the Agency and reimbursement of operating expenses.

Non-operating revenues – Non-operating revenues are those revenues that do not meet the definition of operating revenues. Non-operating revenues include gifts, investment income and insurance reimbursement revenue. Grants, entitlements, or shared revenues received for operations and/or operations or capital acquisitions or construction are reported as "non-operating" revenues. Operating expenses include depreciation on all fixed assets.

H. Compensated Absences - Accumulated Unpaid Vacation and Sick Pay

Accumulated unpaid vacation, sick pay, and other employee benefit amounts are accrued, when incurred, using accrual basis of accounting. On December 31, 2012, the Agency had a deferred compensation liability for accumulated unpaid vacation and sick pay of $10,557. During 2012, the changes in liabilities for compensated absences were as follows:

COMPENSATED ABSENCES	
Liability for compensated absences, January 1	$13,185
Additions	5,557
Reductions	(8,185)
Liability for compensated absences, December 31	$ 10,557

I. Land held for Development and Resale

The Agency has acquired several parcels of land as part of its primary purpose to develop or redevelop properties. The property is being carried at the lower of cost or estimated net realizable value.

J. Debt Issuance costs

The GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, requires debt issuance costs, except any portion related to prepaid insurance costs, be recognized as an expense in the period incurred.

The financial statements should be restated to eliminate the deferral of any prior issuance costs from the statement of net position and recognize them as an expense either in the year incurred if that year is presented or as an adjustment to the net position for the first year presented.

The Agency expensed the bond issuance costs of $17,819, which were incurred and deferred in the year ended December 31, 2010, and restated the financial statements for 2010 and 2011, accordingly.

The debt issuance costs legal fees expended in obtaining a Section 108 loan for the CDA. The IDA has recorded the $2,164,927 Section 108 loan as a long-term debt from the CDA. In 2012, the CDA used $151,181 of the Section 108 loan to pay the Waterfront Project development costs and interest of the IDA.

I. Application of Restricted and unrestricted Resources:

The Agency's policy is to first apply an expense against restricted resources then towards unrestricted resources, when both restricted and unrestricted resources are available to pay an expense.

J. Post-Retirement Benefits

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. The Agency does not have any retired employees. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year.

During the year, the Agency paid premium for four active employees covered under the City of Glen Cove Community Development Agency; they are recorded as expenditures in the General Fund and Special Revenue Funds.

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 December 31, 2008, 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 will foster 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

K. Accounting Pronouncements

In March 2012, GASB issued the Statement No. 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 an entity's risk financing activities to the general fund and the internal service fund type.

This Statement also amends Statement 62 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 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.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The adoption of this statement did 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 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The Agency adopted and applied the provisions of this statement.
In June 2011 GASB issued Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53. 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. 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.

The governments are required to provide details about the different types of deferrals. 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 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.

November 2010, GASB 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.

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 provisions of this Statement generally are required to be applied retroactively for all periods.

NOTE 2. CASH AND CASH EQUIVALENTS

At December 31, 2012 and 2011, the carrying amount of the Agency's deposits with financial institutions was $197,554 and $91,226, and the bank balance were $383,422 and $95,877, respectively.

The bank balance are covered by deposit insurance provided by the FDIC of $250,000 for checking and money market accounts; and with securities held by the pledging financial institution's trust department or agent in the Agency's name.

The Agency's cash management and investment policy are as follows:

State statutes govern the Agency's investment policies. In addition, the Agency has its own written investment policy that incorporates the State regulations. Agency monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The investment officer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, and obligations of New York State or its localities.

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) or collateralized with securities pledged in third party custodial accounts of the pledging financial institutions in the Agency's name.

The collateral amounts are as required to be held according to the Agency's custodial bank agreement at 102.0%. 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 determines that the collateral or underlying securities have an adequate market value and have been segregated.

NOTE 3. LAND HELD FOR SALE

The IDA acquired certain waterfront land for commercial development. The City and the US Environmental Protection Agency incurred substantial expenditures to decontaminate the waterfront land. The IDA has incurred liabilities for legal costs, planning and interest on loans incurred for land improvements. As of December 31, 2012, the cost of the waterfront land and improvements, net of impairment reserve of $19,768,327, was $15,031,650. The increase in the impairment is due to the appraisal of the waterfront property of $12,700,000 and the agreed upon sale amount of $15,000,000 between the Glen Cove IDA, CDA and Redeveloper on December 6, 2012.

The principal source of funds for the development of the Waterfront Property has been Section 108 loans. In October 1999, the City, the CDA, the IDA and the County of Nassau ("the County") entered into agreements for a $6,000,000 loan, pursuant to Section 108 of Title I of the Housing and Community Development Act of 1974. The purpose of the loan was to develop the waterfront properties. The agreements included the following provisions:

1. The County and the United States Department of Housing and Urban Development ("HUD") agreed to make the Section 108 loan to the CDA based on guarantees from the City, the CDA, and the IDA regarding the repayment of the loan and indemnification for all hazardous materials.

2. The CDA agreed to sign a $6,000,000 note ("the Note") payable to the County and advance the loan proceeds to the IDA for the acquisition and improvement of the waterfront properties. The Note is secured by a mortgage on the properties being developed. Interest rate for each advance was set on the date of such advance and was equal to 0.2% above the three-month London Interbank Offered Rate (LIBOR). Interest was paid quarterly and the maturity date of the loan was August 1, 2004. This date was extended to August 1, 2010 and is currently extended to July 31, 2013. The IDA will seek a further extension if the sale of the Waterfront properties is delayed

3. The IDA agreed to use the program income that will be obtained from the sale of properties to repay the Section 108 loan.

4. In 2001, proceeds of a loan of $1,255,000 from Environmental Facilities Corporation were used to pay-down a portion of the $6,000,000 Section 108 loan. The outstanding balance of the Section 108 loan was $4,745,000, as of December 31, 2012.

Initial interest payments on the loan were made from the funds obtained from Brownfield Economic Development Initiative Grant (Grant No. B-98-BD-36-0020) in the amount of $500,000. The CDA has been paying the interest on Section 108 loan and recording related receivables from the IDA. The interest is added to the land improvement cost and recorded as a liability due to CDA.

On September 9, 2008, the City, the CDA, the IDA and the County executed an agreement to borrow an additional $2,350,000, 108 loans, pursuant to Section 108 of Title I of the Housing and Community Development Act of 1974. The Agency closed on $1,500,000 on October 2, 2008 and closed on the additional $850,000 on November 18, 2009. The purpose of the loan is to purchase, develop and remediate the Doxey Property. The agreements included the following provisions:

1. The County and the United States Department of Housing and Urban Development ("HUD") agreed to make the Section 108 loan to the CDA based on guarantees from the City, the CDA, and the IDA regarding the repayment of the loan and indemnification for all hazardous materials.

2. The CDA agreed to sign a $2,350,000 note ("the Note") payable to the County and advance the loan proceeds to the IDA for the acquisition and improvement of the Waterfront properties. The Note is secured by a mortgage on the properties being developed. Interest rate for each advance was set on the date of such advance and was equal to 0.2% above the three-month London Interbank Offered Rate (LIBOR). Interest is to be paid quarterly and the maturity date of the loan is July 31, 2013.

3. The IDA agreed to use the program income that will be obtained from the sale of properties to repay the Section 108 loan. As of December 31, 2012, the IDA has borrowed $2,164,972 from the CDA on the Section 108 loan.

On May 25, 2006, the Agency was awarded a petition by the Supreme Court of Nassau County, to acquire the Doxey Property by Eminent Domain. Three appraisals were conducted. The Agency selected the highest appraisal of $980,000. On September 9, 2008, the Doxey property was added to the Agency's assets and the accounts payable of $980,000 was subsequently paid. In 2011, the Agency commenced legal actions against the previous owner of the Doxey property for contaminating the property, subsequent to the IDA acquisition.

The amounts of principle and interest paid by the City during the years ended December 31, 2012 and 2011 were $179,196 and $207,372, respectively. An aggregate of $2,002,783 in interest cost has been paid by and is included in the amount of $4,024,990 owed to the City, at December 31, 2012. The interest on the Waterfront Project Section 108 loan was $45,128 and $32,879, for the years ended December 31, 2012 and December 31, 2011, respectively.

In addition to the Waterfront Property, the Agency owns sidewalks, driveways, parking lots, walkways, and a landscaped area located in the Village Square, Section 31, Block 85, and Lot 35. In 1994, the appraised cost of the land was appraised at $31,650.

NOTE 4. CAPITAL ASSETS

As of December 31, 2012 and 2011, the capital assets of the IDA were as follows:

CAPITAL ASSETS	2012	2011
Equipment	$ 7,721	$ 7,721
Less: accumulated depreciation	(5,729)	(4,967)
Total capital assets	$ 1,992	$ 2,754

NOTE 5. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

For the year ended December 31, 2012, the IDA reported $390,455 in contractual and legal expenses relating to the remediation of 10 Garvies Point Road Property, $859 in admin charges, $8,247 of accrued audit fees, payroll and taxes and $1,719 in escrow accounts for an aggregate of $401,280.

NOTE 6. LOAN/ADVANCE FROM DEVELOPER

Glen Isle Development Company, LLC (Glen Isle) and RXR over the years have advanced funds to the IDA so that the Agency could continue to move the project forward. On June 29, 2012, the 4th Amendment to the Contract for Sale of Land for Private Development was signed. This amendment to the LDA effectively eliminates the loan and advances made to the IDA. The advances will only have to be paid back if the IDA defaults on the agreement. During the year ended December 31, 2012, the Redeveloper advanced the Agency $460,000 and this has been recognized as revenues (See Note 7). The advance was to enable the Agency to pay a portion of professional fees and other costs that were related to the project.

NOTE 7. AMOUNTS DUE TO OR FROM THE CITY AND CDA

On August 25, 2004, the City of Glen Cove, CDA and IDA entered a Tri-party Municipal Cooperation Agreement, regarding sharing of resources and revitalization of the Waterfront properties, (Garvies point Urban Renewal Area). The Agreement that formalized the long standing understanding among the parties included the following provisions:

1. The City agreed to provide office space to CDA and IDA in return for rental payments that did not exceed the market rents.
2. IDA agreed to reimburse the City for costs incurred for revitalization of the Waterfront Property.
3. The reimbursements among the parties were to be made either periodically or at prescheduled times or upon the sale of Waterfront Property as the parties decided.

As of December 31, 2012 and 2011, the following amounts were due to the City of Glen Cove and the Community Development Agency:

AMOUNTS DUE TO THE CITY AND CDA	2012	2011
Due to the CDA for the Waterfront development expenditures financed by:		
First Section108 loan	$ 4,745,000	$4,745,000
EFC Loan	1,255,000	1,255,000
Second Section 108 Loan	2,164,928	2,013,746
CDA's CDBG and other grants	1,670,196	6,578,406
Total due to the CDA	9,835,124	14,592,152
Due to the City for the Waterfront development expenditures financed by:		
City's Environmental Facilities Corporation loan	4,024,990	3,845,327
Total due to the CDA and City	$13,860,114	$18,437,479

The amount due to CDA was reduced by $4,989,225 for the year ending December 31, 2012, due to the forgiveness of debt by the CDA. This was caused by the increase in the impairment of the waterfront property and the payment due to the EPA, upon the sale of the waterfront property.

The amounts due to the City and the CDA are payable upon the sale of the Waterfront Property.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Settlement Agreement

In 1999, the United States Environmental Protection Agency (USEPA) informed the City about its potential responsibility for the cost of remediating the contamination at two parcels of land; a 26-acre parcel known as the LI Tungsten property on Herbhill Road; and a 23-acre parcel of land known as the Captain's Cove property. USEPA's examination of environmental contamination indicated that waste materials from Tungsten processing and other operations had been deposited on certain parcels while the City owned them.

In 2000, USEPA responded favorably to the City's settlement proposal. The City settled its liability for $5.2 million. Pursuant to the settlement agreement, the City obtained a $3,000,000 loan from the Environmental Facilities Corporation (a New York State Agency) to pay part of its liability to USEPA.

Agreement Regarding Sales Proceeds

On March 30, 1999, the Glen Cove Industrial Development Agency and the United States Environmental protection Agency- Region 2 entered a prospective purchase agreement regarding LI Tungsten Superfund and Captain's Cove sites. The Agency acquired these sites for commercial waterfront development. The EPA indemnified the Agency against existing contaminates.

A total of approximately $74 million in encumbrances, including more than $26 million in underlying mortgage principal, was attached to these properties. EPA has an unperfected Federal lien against the properties. Under the contract, IDA agreed:

1. To expend in excess of $9 million for economic revitalization of the sites and surrounding area.
2. In exchange for the US covenant not to sue, to pay the EPA $100,000.
3. Upon disposal of the sites, through sales or lease, to pay one of the following amounts to the EPA, respectively:
   a. 50% of any amount of sales proceeds received in excess of $9 million, up to $12.2 million.
   b. 40% of any amount received in excess of $12.2 million, up to $14.2 million, plus $1.6 million.
   c. 25% of the sales proceeds over $14.2 plus $2.4 million.
4. Not to sell the sites for less than $13.0 million.
5. Not to reduce the sales proceeds to account for any costs including redevelopment remediation, negotiating, brokerage, and closing costs.

   As of December 31, 2012, the amount that is due to EPA, upon sale of the Waterfront property, is recorded as restricted net position of $2,604,150.

Development of Waterfront Properties

Pursuant to an order of consent, the City of Glen Cove had remediated the Captain's Cove State Inactive Hazardous Waste Site with the assistance and oversight of New York State Department of Environmental Conservation. The City had also contributed to the remediation of the LI Tungsten Superfund site. The City was recognized as one of the sixteen original Brownfield Showcase communities for its remediation efforts and received a Brownfield Economic Development Initiative grant.

Contract for Sale of Land for Private Redevelopment

On May 14, 2003, the IDA, the CDA, and Glen Isle Development Company, LLC, a limited liability company organized under the laws of the State of New York, entered into an agreement for IDA to sell the Waterfront Property to Glen Isle for a price to be determined upon obtaining independent appraisals.

Initially, the minimum agreed upon price was $12.5 million and the maximum was $26 million. The projected sales price was approximately $20.5 million dollars. The purchase price was to be adjusted for any offsite infrastructure costs imposed on Glen Isle by IDA and the estimated costs of any additional environmental investigation and remediation.

Glen Isle also delivered $1,000,000 good faith Line of Credit to an escrow agent to secure their obligation to purchase the property. They also deposited $150,000 to pay engineering consulting fees expended for the review of construction plans.

On April 15, 2005, the second amendment to the agreement raised the minimum purchase price to $25 million.

In March 2008, Rexcorp-Glen Isles-Partners, LLC and the IDA entered into an escrow agreement for consulting services. Rexcorp-Glen Isles-Partners, LLC agreed to give $75,000 to the IDA to pay or reimburse the cost of its consultants on the Waterfront project for the period from March 10 thru 90 days thereafter. The date of the escrow was extended and was used for planning services related to the Waterfront properties. The total deposits from the developer were $253,415.

On October 13, 2009, in accordance with the third amendment to the Agreement, the Redeveloper would advance $500,000 to the IDA to pay for legal and professional fees to keep the project advancing. The developer obtained a $950,000 mortgage on the property, to ensure the reimbursement of its advances, in the event the IDA defaults on the agreement.

On June 29, 2012, Glen Cove Industrial Development Agency, Glen Cove Community Development Agency, And RXR Glen Isle Partners entered into the fourth amendment to the LDA and modified the purchase price of the waterfront property based on recent estimates of its market value. The parties agreed that the Redeveloper will purchase the Property from the Agencies for not less than $15M. On October 27, 2012, the waterfront property was appraised at $12.7M and on December 6, 2012, the IDA and RXR-GI signed a letter of agreement on the Final Fair Market Value and agreed upon purchase price of $15M.

In addition to bearing the costs for environmental insurance and other development costs pertaining to infrastructure and public amenities, in consideration for the Agencies good faith efforts to facilitate project efforts, the Redeveloper agreed to make the following advance payments:

1. To reimburse the Agencies $1,475,000, for expenses incurred by the Agencies through the closing for Phase One,
2. To reimburse $325,000 representing expenses incurred by the Agencies related to the Project since the signing of the Third Amendment.
3. To make an additional $175,000 payment to the Agencies to be used only for legal and appraisal fees.
4. These advances will be secured by a new mortgage and will only have to be repaid if the IDA defaults on the contract.

Pursuant to a letter of agreement, the Redeveloper agreed to pay the $1,475,000 in six quarterly installments until March 1, 2014 or at the close date of the project if earlier.

In the years, ended December 31, 2012 and 2011, the developer made advances of $572,500 and $75,000, respectively.

Development of the Downtown Village Square

In November 2010, the IDA received a $1,000 deposit check accompanied by an Application for Financial Assistance from GCVS, LLC for the redevelopment of the Downtown Village

Square into a mixed use development. This project should begin development in 2013.

Men on the Move-Glen Cove Storage, LLC

On August 17, 2012, the IDA entered into a straight-lease agreement with Men on the Move–Glen Cove Storage, LLC and received $60,148 in admin fees. Men on the Move opened its newest location in Glen Cove, N.Y. on May 17, 2012. Per the agreement with the IDA, Men on the Move must create and retain three full time jobs. MOTM reported 3 full time jobs created in 2012 and 25 construction jobs during construction.

NOTE 9. PERSONNEL COSTS AND PENSION PLAN

The Industrial Development Agency does not have any employees or retirees. The management and staff requirements of IDA are provided by the CDA on a cost reimbursable basis. The salary and benefits of the CDA personnel who work on IDA projects are recorded as expenses of the IDA and amounts due to the CDA.

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

The City of Glen Cove Industrial Development Agency's retiree medical/drug and dental insurance plans are fully insured with the Empire Plan offered through New York State Health Insurance program and Group Health Incorporated. Employees are eligible for these benefits, once they have reached the age of 55 and are hired before July 1, 1973 or either have reached the age of 55 and have 5 years of qualified employment or have 30 years of qualified employment if hired after July 1, 1973. 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.

There were no premiums paid for any retirees of the IDA, as there were none.

The net OPEB obligation was calculated as follows:

Actuarial Methods and Assumptions

The actuarial valuation was performed as of January 1, 2012 and will be performed bi-annually thereafter. In the interim years, the Actuarial service will provide the IDA with an estimate. For the year ended December 31, 2012, the actual expense was $50,502 and for the year ended December 31, 2011, the estimate was $ 52,385. An Actuarial Cost Method, used herein is referred to as the projected unit credit method.

OPEB OBLIGATION

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2012	$73,738	36%	$ 208,181
12/31/2011	$71,816	27%	$ 157,679

The Agency's annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 is as follows:

ANNUAL OPEB COST AND NET OPEB OBLIGATION FISCAL YEAR ENDING

	2012	2011
1.Normal Cost	$38,575	$42,110
2.Amortization of Unfunded AAL	35,461	29,360
3.Interest	1,828	1765
4. Normal Cost (ARC)	75,864	73,235
5. Interest	7,884	5,265
6 Adjustment to Annual Required Contributions	(10,010)	(6,684)
7.Annual Required Contribution - ARC (1+2+3)	73,738	71,816
8. Less Contribution made	(23,236)	(19,431)
9. Annual OPEB Cost (Expense)	50,502	52,385
10. Net OPEB Obligation- beginning of year	157,679	105,294
11. Net OPEB Obligation- end of year	$208,181	$157,679

The funding status of other post-employment benefit obligations is described in the table below:

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)
12/31/2012	$-0-	$524,398	$(524,398)	0%	$102,421	512%
12/31/2011	$-0-	$473,896	$(473,896)	0%	$102,421	463%

The amortization method used in the valuation is referred to as the 30-year level dollar. 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 5.0%; A 2012 Medical trend rate of 10.0%; An ultimate trend rate, estimated to be reached in 2020, of 5.0%; dental trend rate of 5.0%; and that the remaining amortization period (closed) at December 31, 2012, is 27 years. The annual amortization is computed using the discounted present value method. No salary scale assumptions were used because benefits are not dependent on participant compensation. The number of active plan participants is 8.

NOTE 11. ESCROW ACCOUNTS

On November 12, 2008, the Agency entered into an escrow agreement for consulting services with The Warf at Jude Thaddeus Landing, Inc. to reimburse the cost of its consultants in connection with the Gateway Project and a proposed Office/Restaurant Complex at the Warf at Jude Thaddeus Landing. For the year, ended December 31, 2012, deposit and expenses aggregated $1,719, with a balance of $0 in accounts payable.

NOTE 12. RISK FINANCING

The Agency is exposed to various risks of losses related to torts; theft of, damages to and destruction of assets; omissions; injuries to employees, and natural disasters. The Agency had no such losses in 2012 and 2011. The potential losses in excess of the Agency's resources are covered under the City of Glen Cove policy of self-insurance. The Agency reports claims, expenditures and liabilities when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

NOTE 13. SUBSEQUENT EVENTS

The Agency has evaluated the subsequent events and transaction as of March 31, 2012, the date that the financial statements were issued.

On February 7, 2013, National Healthplex, Inc., The Regency at Glen Cove received an $11 million Loan Commitment from Municipal Capital Appreciation Partners,"(MCAP"), at the annual rate of 9% interest with a 25 year amortization term. These funds will be used to fund the new renovation at the Regency.

The IDA and redeveloper are in negotiations on a new note and mortgage that will secure the advances made by the redeveloper. The IDA will not have to repay any advances unless the IDA defaults on the agreement.

The IDA may require additional funding for the remediation of 10 Garvies Point Road.

OTHER SUPPLEMENTARY INFORMATION

The following are not required supplementary information (RSI), under the generally accepted accounting principles in the United States and are provided for the purpose of additional analysis as required by required for statutory filing, under State of New York General Municipal Law 859.

- Schedules of revenues, expenditures, and changes in net assets – budget and actual.
- The schedule shows the Agency's budget as adopted and amended and actual expanses.

- The Schedule of Revenues, Expenses and Changes in Net Assets-Budget and Actual provides a comparison between the original and amended legally adopted budgets of the Agency and the actual revenues, expenses and changes in net assets.

- Other supplementary information is provided to meet the General Municipal Law 859, the disclosures regarding the Agency's Straight-lease and industrial and civic facilities revenue bonds and notes projects.

GLEN COVE INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012

Other Supplementary Revenues	Adopted Budget	Amended Budget	Actual	Over (Under)
Avalon Bay admin fees	$205,000	$8,901	$8,901	--
Interest	250	291	291	--
Revenues from developer	--	2,570,333	2,570,333	--
Fain on forgiveness of CDA	--	4,989,225	4,989,225	--
Grants	691,688	372,916	372,916	--
Total Revenues	896,938	7,941,666	7,941,666	--
Expenses				
Program costs				
Waterfront Debt Expenses	249,550	199,639	199,639	--
Salaries and Benefits				
Salaries	70,401	90,934	90,934	--
Benefits	36,050	86,552	86,552	--
Total Salaries and Benefits	106,451	177,486	177,486	--
Professional Fees:				
Audit services	7,450	7,450	7,450	--
Engineering and other consultants	1,300,000	374,424	374,424	--
Legal fees	10,000	6,802	6,802	--
Total Professional fees	1,317,450	388,676	388,676	
Administrative				
Advertising	60	244	244	--
Publications, dues and conferences	2,849	2,261	2,261	--
Office expense	2,090	1,472	1,472	--
Lease - copy machine	--	480	480	--
Computer repair and equipment and website	--	800	800	--
Postage	280	590	590	--
Travel	1,905	1,722	1,7221	--
Rent expense to the City	13,333	3,040	3,040	--
Due to city	117,923	--	--	--
Impairment of property	--	6,029,218	6,029,218	--
Depreciation	--	762	762	--
Total administration	138,440	5,648,062	5,648,062	--
Total Expenses	1,935,037	6,806,390	6,806,390	--
Change in net assets	--	--	--	--
Net assets, January 1, 2011	1,878,146	1,135,270	1,135,270	--
Net assets, December 31, 2012	$1,878,146	$2,604,150	$2,604,150	$ --

Budgetary Basis of Accounting

A budget comparison schedule is presented for meeting the statutory filing requirements under State of New York General Municipal Law 859. Generally accepted accounting principles serve as the basis of budgeting for the Agency's Governmental Fund.

REVENUE BONDS

Certain industrial development revenue bonds issued by the Agency are secured by property, which is leased to companies and is retired by lease payments. The bonds are not obligations of the Agency, City or State. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts. Its primary function is to arrange financing between the borrowing companies and the bond and note holders. Trustees or banks acting as fiscal agents control funds arising from these transactions.

The Agency receives bond administration fees from the borrowing companies for providing this service. Such administrative fee income is recognized immediately upon the issuance of the bonds and notes.

A. National Healthplex (Regency of Glen Cove) - Bonds

1992 Series A Bonds

The aggregate principal amount of Series A Bonds is $17,181,850, which consists of $1,000,000 Series A Serial Bonds, $14,500,000 Series A Term Bonds (Code Number 2801-92-01) and $1,681,850 Series A Deferred Interest Bonds (2801-92-01). The Series A Serial Bonds have a stated interest rate of 9.5%, issued to yield 10%. The Series A Term Bonds have a stated interest rate of 9.5%, issued to yield 10%. The Series A Deferred Interest Bonds have a stated rate of 9% issued to yield 10.5%.

The Series A Bonds and Taxable Series C Bonds are secured by a first mortgage and have a first lien on, and security interest in, the Regency and the land. The mortgage is evidenced by a promissory note requiring the Organization to make payments to the Trustee on a monthly basis to satisfy the semi-annual obligations of the Series A Bonds.

The obligations of National Healthplex, Inc. (a.k.a. Regency of Glen Cove (Regency) to make payments are limited obligations of the Organization, and holders of the bonds will have recourse only to the Regency, the land, pledged property and Regency equipment to satisfy the obligations of the Organization with respect to the Bonds. No other revenues or assets of the Organization will be available for payments of, or as security for, the Bonds.

Pursuant to the sale agreement, the Organization is required to maintain a ratio of net earnings to debt service, as defined in the Trust Agreement, on the Series A Bonds, Taxable Series C (Code Number 2801-92-01) Bonds and other indebtedness of 1.15. If a ratio deficiency exists, the Organization is required to retain a management consultant to provide recommendations regarding the operations of the Regency. In previous years, the organization failed to achieve the required ratio of net earnings to debt service and accordingly, retained a management consultant. The consultant subsequently reviewed the Organization's operations and submitted a report of their findings and recommendations.

On March 6, 2002, the Trustee declared an event of default under the Trust Indenture and installment Sale Agreement for the Regency's failure to remit full debt service payments when due to the Trustee. The Trustee also declared other events of default on September 10, 2002 and November 29, 2002. The Trustee has the right to make but has not made demand for the full payment of all outstanding bonds. In confirmation of the bonds for the year ending December 31, 2008, the Trustee reported that the Regency was in default due to failure to remit full debt service payments. The Trustee also reported that interest payments of $919,600 were made for the same year.

In October of 2002, the Organization and certain Series A Bondholders mutually agreed that the Organization would limit its administration fee for management of the

Regency to a base amount of $5,000 per month plus a monthly incentive amount of 5% of the previous month's revenues of the Regency in excess of $385,000.

Amendment of Original Indenture-Civic Facilities Revenue Bonds

Effective February 1, 2003, The Company requested and obtained an amendment to the original indenture and installment contract, from the IDA. The amendment is to correct the default. The holders of Series A Bonds have to consent to the amendment. The bondholders whose consent is required include (1) the holders of Series A Term Bonds and (2) Series A Deferred Interest Bonds, issued in 1992. Series A Term Bonds were issued originally in the aggregate principal amount of $14,500,000. The principal amount of $12,490,000 remained outstanding, as of July 1, 2002. Series A Deferred Interest Bonds were issued in the original appreciated amount of $1,681,850. As of July 1, 2002, the appreciated amount was $4,238,650. Deferred Interest Bonds mature at various dates, commencing on January 1, 2013, in the aggregate appreciated amount of $14,000,000.

The amendment required the following:

1. The funds on deposit in the Debt Service Reserve Fund should be applied to partial optional redemption of series A Term Bonds and the payment of transaction costs relating to obtaining the amendment. By April 1, 2003, Bonds with the principal amount of $1,890,000 should be redeemed at 102% and all accrued interest on those bonds should be paid. The redemption and interest payment will be funded through transfer of $1,927,800 from Debt Service Fund to the Bond Trustee.
2. The mandatory sinking fund payments for the Series A Term Bonds will be re-amortized so that annual debt service payable will not be reduced until the Series A Bonds are paid in full.
3. As long as any series A Bonds are outstanding, no debt service reserve fund or requirement shall be established for any additional bonds without the prior written consent of the holders of majority interest of the Series A Bonds.

On March 17, 2003, the Organization redeemed by optional redemption $1,890,000 in principal amount of the Series A Term Bonds at a redemption price of 102% of the principal amount thereof plus accrued interest to the redemption date.

The Serial and Term Bonds pay interest on a semi-annual basis and provide for principal payments in accordance with a mandatory sinking fund redemption schedule, as amended. The Deferred Interest Bonds accrue interest, compounded semi-annually, and commenced principal payments in January 2003. The final maturity date on all Series A Bonds is July 1, 2019. The interest paid on these bonds is exempt from federal and state income taxes.

On July 1, 2003, trust funds were insufficient for the Trustee to remit the entire scheduled principal payment due certificate holders of the Series A Term Bonds. The amount of the unpaid portion of principal due Series A Term certificate holders was $4,858,857, on June 30, 2008.

The current period and cumulative interest charges due on the Series A Deferred Interest Bonds were $861,267 and $8,541,093 for the year ending June 30, 2012, respectively, and the obligation for accrued interest has been classified as long-term liabilities in the financial statements.

The outstanding balance of the Series A Term Bonds as of June 30, 2012 was as follows:

OUTSTANDING BALANCE OF THE SERIES A TERM BONDS AS OF JUNE 30, 2012	Amount	Discount	Net
Series A Term Bonds	$9,380,000	$241,309	$9,138,691
Series A Deferred Interest Bonds	1,681,850	42,584	1,639,266
Total	$11,061,850	$283,893	10,777,957
Less current maturity			9,380,000
Total Long term debt			$1,397,957

As of July 1, 2012, $9,380,000 of term Bonds that would otherwise be required to be redeemed under the Indenture remain outstanding under the terms of the Forbearance Agreement. Current maturities of long-term debt, net of discounts are as follows:

CURRENT MATURITIES OF LONG-TERM DEBT	
2013	$9,688,100
2014	1,373,750
Total	$11,061,850

Note Payable - Series B Bonds

The Regency was financed by the issuance of bonds by the Glen Cove Industrial Development Agency. Specifically, Series B Bonds were issued and secured by a second mortgage and had a second lien on, and security interest in, the Regency and the land. The Series B Bonds were subsequently defeased. However, the promissory note remains outstanding and is secured by a mortgage subordinate to the rights of payment of the holders of the Series A Bonds, Taxable Series C Bonds, and certain other indebtedness of the Regency.

The aggregate principal amount of the Series B Note (Code Number 2801-92-01) is $4,122,350, which accrues and compounds interest semi-annually at 13.25% until October 15, 2019 and at 0%, until their maturity on October 15, 2031. The outstanding balance of the Series B Note as of June 30, 2012, was $4,122,350.

Series B Note

The Series B notes which are defeased had the current period and cumulative interest charges of $5,866,700 and $45,786,650, respectively, as of June 30, 2012.

Forbearance Agreement

The Trustee declared Events of Default under the Trust Indenture and Installment Sale Agreement for, among other things, the Regency's failure to remit full debt service payments when due to the Trustee. During the year, the Organization obtained a bridge loan and paid all current and unpaid interest to date and entered into a Forbearance Agreement dated February 14, 2008, with the sole Bondholder. The sole Bondholder has directed the Trustee to forbear from exercising any remedies until December 31, 2009, or the date that a refunding is consummated providing that there is no breach or violation of any term or condition imposed upon the borrower during forbearance period. The fourth amendment to this agreement was extended until the earlier of February 1, 2013 or the date of refunding or breach of any term of condition imposed on the Borrowing. Any surplus cash flow must be paid to the trustee during the term of the agreement.

STRAIGHT LEASE AGREEMENTS

A. Avalon Bay Communities, Inc.

In June 2001, the IDA and Avalon Bay Communities, Inc. ("the Company") entered a straight lease agreement (Code Number 2801-01-01). Through the lease agreement, the Agency takes title to the property and the machinery and equipment and provides property and sales tax relief to the Company. Under the lease contract, the Company agreed to acquire an approximately 3.5 acre site located at Pratt Boulevard, in the City of Glen Cove to construct an approximately 333,000 square foot luxury rental building together with 188,000 square foot enclosed parking facility. The IDA agreed to buy the building from the Company and lease it back to the Company. Thus, the Company was exempt from sales and use taxes, real property transfer taxes, and real estate taxes. The Company agreed to make payments in lieu of taxes.

The cost of the planning, development, acquisition, construction, and installation of the project facilities is estimated to be about $50,170,000. The Company paid an administrative fee of $303,000 to the IDA.

As a part of the agreement, the Company, purchased from the City a property located at Glen Street for $1,100,000 and paid an option premium of $900,000. The Company has exercised the option. Nonpayment of fees, constitutes default under the agreement.

In June 2003, Avalon Bay Communities, Inc. exercised its option and purchased the Glen Street Parcel for $2,000,000, (2801-06-1). Avalon Bay had already paid $900,000 and agreed to pay the balance by December 31, 2003. It was further agreed that:

1. The construction plan had to be completed by March 30, 2004; construction had to commence by October 1, 2004 and be completed by June 30, 2006.
2. All building permits and other fees had to be paid by the later of June 1, 2004 or ten days after the invoices are submitted.
3. Payment in lieu of taxes should begin on January 1, 2006.
4. In lieu of $50,000 payment required by the Preliminary Agreement, Avalon Bay shall pay the IDA, $107,224. The Agency will use these funds in cooperation with the City of Glen Cove to upgrade Pratt Boulevard Municipal Parking lot.

In 2012, the payments made by Avalon Bay South, in lieu of taxes (PILOT) and the amount of tax exemptions were as follows:

PAYMENTS MADE BY AVALONBAY SOUTH		
	PILOT	Exemptions
County	$208,533	$210,751
Local	417,067	938,106
School	978,503	1,828,326
Total	$1,604,103	$2,977,183

Avalon Bay North's (PILOT) began January 1, 2008. The tax exemptions were as follows for 2012:

PAYMENTS MADE BY AVALONBAY NORTH		
	PILOT	Exemptions
County	$74,911	$74,810
Local	144,472	333,001
School	315,698	649,003
Total	$535,081	$1,056,814

The IDA receives an aggregate of $4,000 each year for administration fees for both buildings.

B. Straight Lease Agreement with Safavieh – 18 School Street, LLC ("Safavieh") – ("Swezey")

On March 3, 2000, the Agency and Swezey entered a straight lease agreement regarding the property located at 16-24 School Street, Glen-Cove, New York. In order to finance a portion of the costs of the project Swezey obtained a mortgage loan in the amount of $5,000,000 from the Citibank, N.A. On July 24, 2003, Swezey obtained another loan of $1,600,000 by issuing a mortgage note payable to a subordinated lender. The Agency approved to grant exemption from mortgage recording tax in an amount not to exceed $16,000 and Swezey accepted to reimburse the Agency for all related costs to the Agency.

On May 1, 2005, Swezey reacquired the properties located at 16-18 and 24 School Street from the Agency and conveyed it to 18 School St, LLC ("Safavieh") (Code Number 2801-05-01). At the same time, Safavieh has conveyed the property to and entered into a lease agreement ("Pilots Agreement") with the Agency. As of May 1, 2005, Safavieh is required under the lease contract and payments in lieu of taxes agreement to make the following future real property taxes payments:

REAL PROPERTY TAXES PAYMENTS

Year ended June 30,	Amount
2012	$179,900
2013	194,310
2014	209,151

The lease payment for the year ended June 30, 2012 was $179,900.

C. Straight Lease Agreement with Men on the Move–Glen Cove Storage, LLC ("MOTM")

On August 1, 2011, the Glen Cove IDA entered into a straight Lease Agreement, ("Pilot Agreement") with Men on The Move-Glen Cove Storage LLC. Code #(2801-11-01), regarding the property located at 88-90 Hazel Street, City of Glen Cove. The Company paid an administrative fee of $60,148 to the IDA. The PILOT program will commence for the tax year 2012-2013 and will last for 10 years. MOTM paid school taxes in full for 2012 and will receive a credit in 2013 on their PILOT. MOTM is required under the lease contract and payments in lieu of taxes agreement to make the following future real property taxes payments:

REAL PROPERTY TAXES PAYMENTS

Tax Year	Amount
2012-2013	$145,525
2013-2014	164,453
2014-2015	184,009
2015-2016	204,193

The total cost of the project was approximately $7,553,000. MOTH is required by the contract to create at least 3 new full time jobs within one year after the scheduled completion date and maintain these jobs throughout the term of the lease. The IDA will collect a $1,000 annual admin fee from MOTM.

SCHEDULE OF SUPPLEMENTARY INFORMATION

BONDS AND STRAIGHT LEASES

	BONDS	STRAIGHT LEASES			
	Regency	Safavieh	Avalon Bay 1 (North)	Avalon Bay 2 (South)	Men on The Move
Project Code	2801-92-01	2801-05-01	2801-01-01	2801-06-01	2801-11-01
Name of Project:	National Healthplex - Civic Facilities Regency	Safavieh	Avalon Bay	Avalon Bay	Men on The Move
Project Address:	94 School Street Glen Cove, NY 11542	24 School Street Glen Cove, NY 11542	135 Pine Lawn Road Glen Cove, NY 11542	135 Pine Lawn Road Glen Cove, NY 11542	89-90 Hazel Avenue Glen Cove, NY 11542

SCHEDULE OF SUPPLEMENTARY INFORMATION

BONDS AND STRAIGHT LEASES
(Continued)

Bond and Purpose	Issue Date	Interest Rate Fixed	Outstanding Balances	Issued During The Year	Paid During The year	Outstanding 12/31/2012	Final Maturity Date
National Healthplex			June 30, 2012				
Civic Facilities - Series A	Jan-92	9.50%	9,380,000		241,309	9,138,691	Jul-2019
Civic Facilities - Series A	Jan-92	9.50%	1,681,850		42,584	1,639,266	Jul-2019
Total			11,061,850		283,893	14,827,833	

SCHEDULE OF SUPPLEMENTARY INFORMATION
BONDS AND STRAIGHT LEASES
(Continued)

	BONDS	STRAIGHT LEASES			
	National Healthplex	Men on The Move	Safavieh	Avalon Bay 1	Avalon Bay 2
Project Code	2801-92-01	2801-11-01	2801-05-01	2801-01-1	2801-06-1
Project Purpose:	Construction	Self-Storage	Retail Trade	Construction	Construction
Total amount of lease	N/A	$ 7,553,000	5,000,000	67,836,474	25,864,145
Benefited Project Amount:	$ 21,800,000	$ 7,553,000	$ N/A	$ N/A	$ N/A
Total Project Amount:	$ 21,800,000	$ 7,553,000	$ N/A	$ 25,854,145	$ 5,397,577
Original-Bond/ Note Amount:	$ 17,181,850	N/A	$ N/A	$ N/A	$ N/A
Organization: Nonprofit	Yes	No	No	No	No
Federal tax Status	Tax exempt	Taxpaying	Taxpaying	Taxpaying	Taxpaying
New tax revenues if no					
Exemption granted	-0-	-0-	-0-	-0-	-0-
Method of financial assistance					
Other than tax exemption:					
Type	None	None	None	None	None
Amount	None	None	None	None	None
Exemptions:					
Sales tax –					
State	-0-	62,576	-0-	-0-	-0-
Local	-0-	-0-	-0-	-0-	-0-
Real property tax					
County	$ 34,491	-0-	$ 18,704	$ 210,751	$ 74,810
Local	153,527	-0-	83,258	938,106	333,001
School	299,217	-0-	162,265	1,828,326	649,003
Mortgage recording	-0-	65,153	-0-	-0-	-0-
Total exemptions	$ 487,235	$ 127,729	$ 264,227	$ 2,977,183	$ 1,056,814

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION

BONDS AND STRAIGHT LEASES
(Continued)

	BONDS	STRAIGHT LEASES			
	National Healthplex	Men on The Move	Safavieh	Avalon Bay 1	Avalon Bay 2
Project Code	2801-92-01	2801-11-01	2801-05-01	2801-01-01	2801-06-01
Payment in lieu of taxes					
To all eligible governments					
County	$ 37,451	$ -0-	$ 23,387	$ 208,533	$ 74,911
Local	88,521	-0-	46,774	417,067	144,472
School	214,492	-0-	109,739	978,503	315,698
Total	$ 340,464	$ -	$ 179,900	$ 1,604,103	$ 535,081
Total exemptions net of RPTI					
Section 485 Exemptions	-0-	-0-	-0-	-0-	-0-
Full-Time Equivalent Jobs created & retained					
Full-Time Equivalent Employees at					
Project Location- prior to IDA Status	42	-0-	-0-	-0-	-0-
Original estimate of jobs to be created	-0-	3/25*	25	25/150*	6/100*
Original estimates of jobs to be retained	40	3	-0-	-0-	-0-
Number of current full-time					
Equivalent employees	49	-0-	25	10	3
Number of FTE Jobs Created	-0-	3/25*	25	-0-	0/75 *
Number of jobs retained during					
The fiscal year	49	3/25*	25	10	3
Number of construction jobs created					
During the fiscal year	-0-	-0-	-0-	-0-	75

* During construction.

COMPLIANCE SECTION

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

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

Honorable Mayor Ralph Suozzi,
Board of Directors and Members
Glen Cove Industrial Development Agency
Glen Cove, 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 Glen Cove Industrial Development Agency, a component unit of the City of Glen Cove, New York, as of and for the years ended December 31, 2012 and 2011 and the related notes to the financial statements and have issued our report thereon dated March 30, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Glen Cove Industrial Development 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Glen Cove Industrial Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Glen Cove Industrial Development Agency's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Glen Cove Industrial Development 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tabriztchi & Co., CPA, P.C.

Garden City, NY
March 30, 2013