

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



**FINANCIAL STATEMENTS**  
*For the Year Ended December 31, 2013*

**Prepared by:**  
**Anne L. LaMorte**  
**Financial Manager**

**THE CITY OF GLEN COVE  
COMMUNITY DEVELOPMENT AGENCY  
GLEN COVE, NEW YORK**

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

*FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013*



**Prepared by:  
ANNE L. LAMORTE  
FINANCIAL MANAGER**

**Glen Cove Community Development Agency**  
**(A Component Unit of the City of Glen Cove, New York)**

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Financial Statements  
For The Year Ended December 31, 2013

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## INTRODUCTORY SECTION



## MAJOR INITIATIVES

### *Glen Cove Waterfront Revitalization Project*

The City, the CDA, and the IDA have been working together to reclaim the properties surrounding Glen Cove Creek and restore them for enhanced uses. The Project 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. The 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 payments of interest on a Section 108 Loan used to purchase and develop 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 52 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 was presented to the City of Glen Cove Planning Board and approved on December 18, 2011. The IDA took possession of the last parcel of land to be remediated. It anticipates that the cleanup will be completed by the end of 2014.

## ANTICIPATED ACCOMPLISHMENTS

### *Waterfront Development Project*

The environmental review of the Waterfront Project is in the final phase. It began when an amended Conceptual Site Plan, ("CSP") was submitted to the Glen Cove Planning Board in October 2008. In 2009, the Planning Board approved the Final Scope for the Draft Generic Environmental Impact Statement ("DGEIS") which is now the Final Environmental Impact Statement ("FEIS") that governs this billion dollar effort. The FEIS was approved by the Planning Board on December 18, 2011. The revised plan was the result of several months of joint efforts of the developer, the CDA, IDA and their consultants.

The FEIS allows for 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. ft. of office space; 25,000 sq. ft. of retail space 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.

The FEIS answered all questions raised on environmental and other impacts of the proposed project including traffic, utilities, municipal services, and fiscal impacts of the CDA and IDA approved DEIS.

In October 2012, the Planning Board approved the Phase I Site Plan for the waterfront project. The IDA is currently remediating the last contaminated parcel of land. The developer has agreed to do the maintenance of the property as well as put up signs and fences. When construction begins on the project an estimated 9,500 construction jobs will be created and 600 full time jobs upon the completion of the project.

## Long-Term Financial Planning

In 1997, the Agency's Board of Directors initiated a financial planning process for Cooperation with the IDA, the City and the US Environment Protection Agency to remediate and develop its Waterfront properties ("the Project"). At present, the Project constitutes the primary and most significant function of the Agency. The Waterfront Strategic Plan is the key component of the Agency's commitment to fiscal responsibility, accountability and efficiency. The plan includes projections of Agency's developmental activities and related sources and uses of funding. To implement the Project on May 14, 2003, the CDA and IDA entered into a Land Disposition Agreement, ("LDA"), with Glen Isle Development Company, LLC (the Redeveloper).

In accordance with the Strategic Plan the Agency is responsible for allocating a portion of its CDBG funds for Economic Development (Waterfront Development), obtaining Section 108 loans, paying interest on the Section 108 loan and the amounts the City of Glen Cove has expended or loaned for the Project. In 2009, the IDA and CDA obtained a second section 108 loan in the amount of \$2,350,000. These funds will be used to secure and remediate 10 Garvies Point Road.

The Agency's Board has monthly budget reporting process and monitors the progress and funding of the Project.

## Relevant Financial Policies

To achieve the goal of providing outstanding, cost-effective services, the Agency applies sound management practices and policies. Such financial management practices have been identified by the Government Finance Officers Association of the United States and Canada (GFOA) as best practices that promotes financial soundness, efficiency in government and solvency in public finance. The Agency's policies include the following: Procurement Policy, comprehensive CDA

Bylaws, CDA Code of Ethics, Property Disposition, Employee Compensation Policy, EEO Policy, and Travel and Meal Policy. For additional information regarding these policies may be found on our website, [www.glencovecda.org](http://www.glencovecda.org).

**Strategic plan.** The Agency's Strategic Financial Plan is based on a rolling five-year financial forecast and includes an analysis costs and sources of funding for the Waterfront project.

**CDBG Program Plan.** Every year the Agency files an application and enters an agreement with the Nassau County Office of Economic Development to receive CDGB funds, for the fiscal year, September 1st to August 31<sup>st</sup>. The application includes a three year plan for the next and following two grant years and a budget for the upcoming fiscal year. The Agency's proposed agreement is prepared by the Executive Director and approved by the Board after a Public Hearing. Activities included in the application must meet the national objectives of the program (benefiting low and moderate (L/M) income person defined as below 80% of Nassau County's median income) and/or aiding in the prevention or elimination of slums or blight.

**Annual Plan of the Board.** The Board approves, amends and publishes a GAAP based annual budget (the Annual Budget) and actual information for the general fund. The budget reports provide the Board, the City, members of the public, and other interested parties with an overview of the current status of budgeted revenues and expenditures, and adjustments to the Agency budget. The Executive Director presents monthly budget status reports to the Board of Directors.

The CDBG Agreement and the Annual Budget reflects the Agency's disciplined approach to fiscal management and is consistent with the Agency's Strategic Financial Planning process.

**Borrowing for Capital Projects.** The Agency's long-term practice has been to use borrowing from the City for major capital (road infrastructure) expenditures. The CDA has used the Waterfront Development Plan for forecasting the sources of the Agency's revenues to repay the debt financing.

**Financial Reporting and Compliance.** The Audit Committee of the Board oversees the quality of financial reporting activities, results of operations, internal controls, and planned and long-term commitments. The Audit Committee also oversees and monitors Agency's compliance with pertinent laws and regulations and applicable ethical standards, as well as conflicts of interest and fraud policies. The Audit Committee is composed of the Treasurer and a Board member. Both are certified public accountants. The Treasurer also serves as the Vice-Chairman. Meetings are held at least twice a year.

The Agency presents a set of disclosures in the Agency's adopted Budget document and the CAFR.

**Whistle Blower Policy.** This policy is part of an ongoing improper governmental action and fraud detection and prevention effort. The policy provides a comprehensive list of officials that may be contacted by Agency's employees, the general public, or vendors for reporting suspected waste, fraud, violations of County policy or misuse of the Agency's resources by vendors, contractors or County employees.

**Investments.** It is Agency policy that funds are invested in compliance with the laws of the State of New York governing the investment of public funds. As such, the Agency is permitted to invest in the obligations of the US Treasury or its agencies, certificates of deposit and other permitted investments. The Agency's investment policy objectives are to minimize credit and interest risks, provide sufficient liquidity to meet all possible cash demands, and attain the maximum yield possible while adhering to the first two objectives. Due to

uncertain economic environment, the investment media used in 2013 were interest-bearing money market and certificates of deposits.

We would like to commend the staff of the Agency for their efficient and dedicated service in helping to prepare this report and 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, Toski & Co., CPAs, P.C., for their most valuable assistance in preparation of this report.

Respectfully submitted,  
Anne L. LaMorte  
Financial Manager  
Glen Cove Community Development Agency

## LIST OF APPOINTED OFFICIALS

### CHAIRMAN

Hon. Mayor Ralph V. Suozzi



### BOARD OF DIRECTORS

#### TREASURER

**Vincent Hartley, CPA**

#### MEMBERS

**Lindsay Anderson**

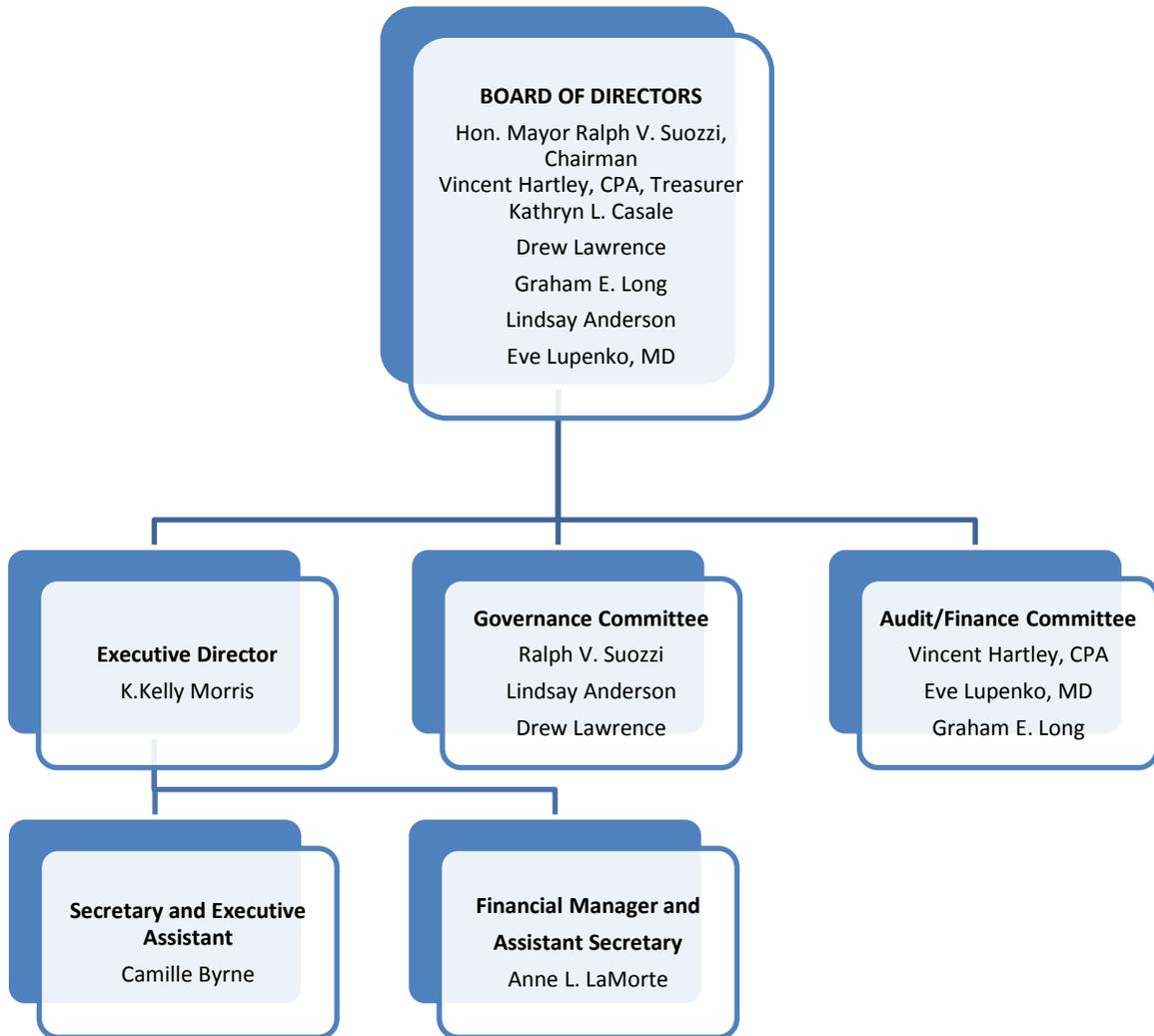
**Kathryn L. Casale**

**Drew Lawrence**

**Graham E. Long**

**Eve Lupenko, MD**

# CITY OF GLEN COVE COMMUNITY DEVELOPMENT AGENCY ORGANIZATIONAL CHART



## FINANCIAL SECTION



## **BASIC FINANCIAL STATEMENTS**

## INDEPENDENT AUDITORS' REPORT

Board of Directors and Members  
Glen Cove Community Development Agency  
Glen Cove, New York:

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the Glen Cove Community Development Agency (CDA), a component unit of the City of Glen Cove, New York, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the CDA's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express 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 position of the governmental activities, the business-type activities, and each major fund of the CDA as of December 31, 2013, and the respective changes in net position and, where applicable, cash flows thereof, for the year then ended in accordance 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 and budgetary comparison information on pages 10 through 18 and page 48 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.

#### Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Glen Cove Community Development Agency's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on page 53 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting records used to prepare the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional

procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of financial awards is stated in all material respects in relation to the financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

#### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2014, on our consideration of the CDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the IDA's internal control over financial reporting and compliance.

Toski & Co., CPAs, P.C.

Williamsville, New York  
March 31, 2014

**GLEN COVE COMMUNITY DEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2013**

**INTRODUCTION**

The Glen Cove Community Development Agency ("CDA"), formally known as the Urban Renewal Agency, was established on April 16, 1964 under Title 11-A Section 580(a) of the Consolidated Laws of the State of New York. The name change was mandated by State Law Section 580-a, on January 1, 1980. The Board of CDA consists of the Mayor, who acts as chairman and six other members appointed by the Mayor and approved by the City Council.

The Community Development Agency's purpose is to plan and implement programs involving the rehabilitation and revitalization of both the residential and commercial sectors of the City of Glen Cove, to foster economic growth, to provide assistance to public service organizations, eliminate blight and to improve opportunities for low and moderate income citizens of the City of Glen Cove.

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

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

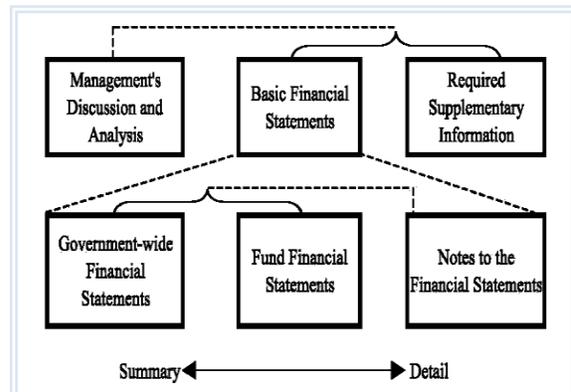
This discussion and analysis serves as an introduction to the CDA's basic financial statements.

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

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

This report also contains other supplementary information in addition to the

basic financial statements. Such other supplementary information is not required but is provided for additional analysis.



**Government-wide Financial Statements**

The government-wide financial statements are designed to present a broad overview of the financial position of the CDA in a manner analogous to a private-sector business. These statements consist of the Statement of Net Position and the Statement of Activities and are prepared using the economic resources measurement focus and the accrual basis of accounting, as opposed to the modified accrual basis used in prior reporting models. This means that all the current year's revenues and expenses are included regardless of when cash is received or paid, producing a view of financial position similar to that presented by most private-sector companies.

The Statement of Net Position consolidates reporting of the CDA's current financial resources with reporting of capital assets and long-term obligations, and thus summarizes all of the CDA's assets and liabilities. Net position is the difference between the CDA's assets and liabilities; it is one measure of the CDA's financial health. In evaluating the net position of the CDA, other non-financial

factors affecting the CDA's overall health and financial condition should be considered, such as changes in demographics and economic conditions, the condition (i.e. residential and commercial conditions and development requirements)

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

In the statement of Net Position and the Statement of Activities, pages 19 and 20, the CDA is divided into two kinds of activities for reporting purposes:

- **Governmental Activities** – these are CDA's basic home and community services including economic development, commercial and residential rehabilitation, public facilities improvement, culture and recreation. Federal and state aid and program income from sale of properties or collection of economic development loans finance these activities.
- **Business-type activities** – these are housing assistance to low income families conducted by the Section 8 Tenant-based Housing Choice Voucher Program. The program is organized similar to a private-sector company.

The government-wide financial statements can be found in pages 19 and 20 of this report.

## **Fund Financial Statements**

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

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

## **Governmental Fund**

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in governmental funds with similar information presented for governmental activities in government-wide financial statements. There are reconciliations following the governmental fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund

Balance. These reconciliations explain the difference between the government-wide Statement of Net Position and the governmental fund Balance Sheet, as well as the difference between the government-wide Statement of Activities and the governmental Statement Revenues, Expenditures and Changes in Fund Balance.

The basic governmental fund financial statements are presented on pages 21 through 24 of this report.

### **Proprietary Fund**

Proprietary funds provide the same type of information as the government-wide financial statements. The CDA maintains a single proprietary fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The CDA accounts for its Section 8 Tenant-Based Housing Choice Voucher Program using an enterprise fund.

The basic proprietary fund financial statements can be found on pages 25-27 of this report.

### **Notes to the Financial Statements**

The notes supply information that is essential to a full understanding of the data in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements, pages 28.

### **BEYOND THE BASIC FINANCIAL STATEMENTS**

In addition to the basic financial statements and accompanying notes, this report presents Supplementary Information on Budgetary planning for the general fund. The Agency does not have an annual legally adopted budget. The Agency's Board of Directors adopts and amends annual budgets and

provides budgetary information as other supplementary information.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Financial Highlights**

The CDA's financial condition weakened in 2013, primarily because administrative expenses for the Section 8 Housing Voucher Program exceeding grant allowances for these costs. The following list summarizes the CDA's financial performance for fiscal year 2013 and 2012.

- The CDA had total net position of \$2,276,826 December 31, 2013, which decreased, by \$238,859 (9%) from \$2,515,685, on December 31, 2012.
- The CDA's net position of governmental activities decreased by \$90,150, (5%) from \$2,032,863 in 2012 to \$1,942,713 in 2013. This decrease in assets was the result of transfers made to the Housing Choice Voucher Program to cover administrative expenses incurred in excess of grant amounts provided.
- The net position of the business-type activities decreased by \$148,709, (31%) from \$482,822 in 2012 to \$334,113 in 2013. The decrease was due to for housing assistance payments exceeding grant revenues for the year.
- The CDA's total governmental activities liabilities were \$10,580,038 and long-term debt, including the current portion, was \$10,541,290 on December 31, 2013. Long-term debt payable included \$7,048,831 of Section 108 loan and \$2,873,849 due to the City of Glen Cove. The amount due to the City of Glen Cove includes a loan of \$755,000 that the City had obtained from the Environmental Facilities Corporation (EFC). The CDA repaid \$500,000 of the loan during 2013.

- Restricted net position decreased by \$229,953 from \$1,201,492 in 2012 to \$971,539 in 2013. Restricted funds include the Community Development Block Grant and Section 8 Tenant-Based Housing choice Voucher grant funds.

## Net Position

On December 31, 2013, total assets of the governmental activities were \$12,522,751 while total liabilities were \$10,580,038 resulting in net position of \$1,942,713 (Table 1 and Charts 1 and 2). Capital assets, less accumulated depreciation and related debt of \$637,200, were \$1,303,835 at December 31, 2013. Measurement of capital assets less related debt reflects net position invested in capital assets (land and equipment).

Although the CDA's net position invested in capital assets is reported, it should be noted that the resources needed to repay the debt related to the capital assets must be provided from other sources, since capital assets cannot be used to liquidate these liabilities.

On December 31, 2013, the governmental activities had \$638,878 in restricted net position. As of December 31, 2013, the total assets of the Section 8 Program were

\$781,394 and its total liabilities and net position were \$447,281 and \$334,113 respectively. A summary statement of net position is presented in Table 1. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the CDA, governmental activities assets exceeded liabilities by \$1,942,713 and \$2,032,863 at December 31, 2013 and 2012, respectively. This represents a decrease in 2013 of net position of \$90,150 compared to the prior fiscal year. This was primarily the result of transfers to the Housing Choice Voucher Program to fund administrative expenses.

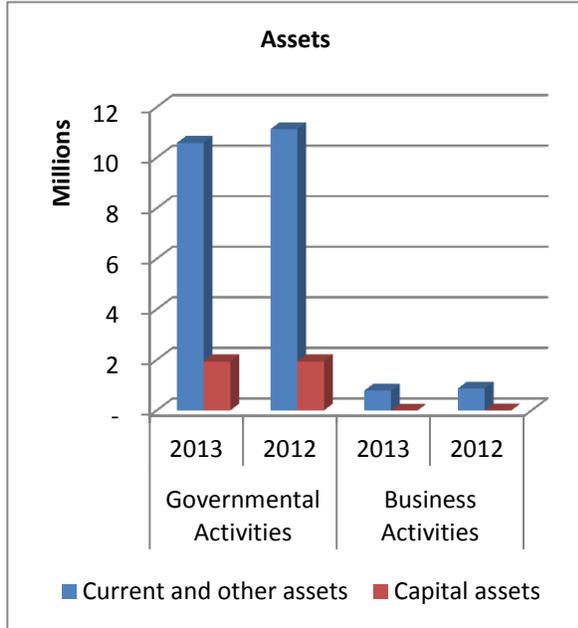
The largest category of CDA assets reflects its significant investment in non-current assets. Receivables from the Glen Cove Industrial Development Agency account for \$10,862,362 of the total assets.

Capital assets of governmental activities primarily include the Waterfront road. Total capital assets were \$1,941,035 on December 31, 2013. The road was acquired at a cost of \$1,937,200, by the funds from the CDA's program income and \$637,200 debt to the City. The CDA has utilized the road to provide infrastructure for the Waterfront properties (Chart 1).

**TABLE 1**

SUMMARY OF NET POSITION AS OF DECEMBER 31, 2013 AND 2012						
	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current and other assets	\$10,581,716	\$11,130,697	\$779,942	\$868,771	\$11,361,658	\$11,999,468
Capital assets	1,941,035	1,942,664	1,452	3,054	\$1,942,487	\$1,945,718
Total Assets	<u>\$12,522,751</u>	<u>\$13,073,361</u>	<u>\$781,394</u>	<u>\$871,825</u>	<u>\$13,304,145</u>	<u>\$13,945,186</u>
<b>Liabilities</b>						
Long term liabilities outstanding	\$10,541,290	\$10,941,140	\$437,505	\$388,282	\$10,978,795	\$11,329,422
Other liabilities	38,748	99,358	9,776	721	\$48,524	\$100,079
Total liabilities	10,580,038	11,040,498	447,281	389,003	11,027,319	11,429,501
<b>Net position</b>						
Capital assets, net of related debt	1,303,835	1,305,464	1,452	3,054	1,305,287	1,308,518
Restricted	638,878	727,399	332,661	474,093	971,539	1,201,492
Unrestricted	--	--	--	5,675	--	5,675
Total net position	<u>\$1,942,713</u>	<u>\$2,032,863</u>	<u>\$334,113</u>	<u>\$482,822</u>	<u>\$2,276,826</u>	<u>\$2,515,685</u>

**CHART 1**



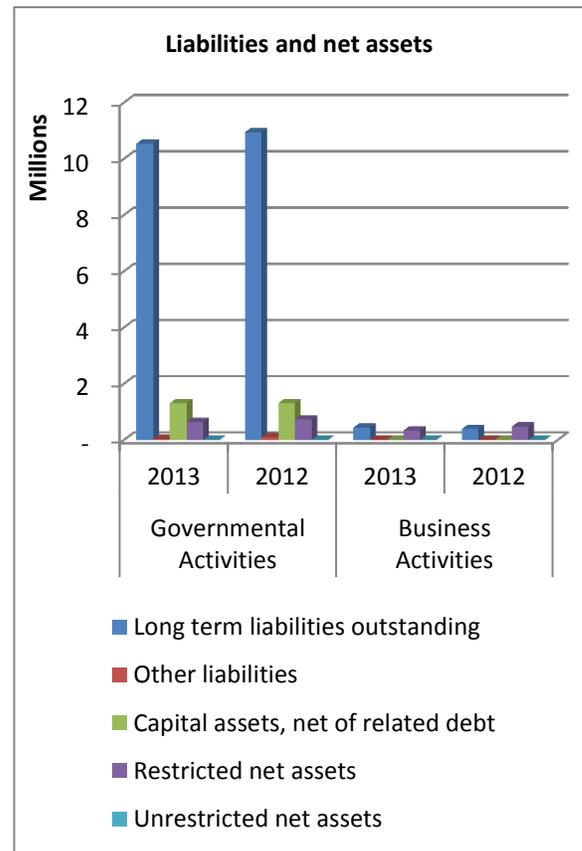
The CDA's net restricted assets of \$971,539 for the current year represent resources that are subject to external restrictions on how they may be utilized. In the case of the CDA, these restrictions are primarily related to the compliance requirements of the Community Development Block Grant and the Public Housing Choice Voucher programs funded by the U.S. Department of Housing and Urban Development (Chart 2).

**Changes in Net Position**

The Agency's program revenues accounted for almost 100% of the revenues in 2013. The total program revenues from operating grants was \$5,276,365 for governmental and business type activities in 2013 (Table 2 and Chart 3). The program revenues from operating grants decreased by \$105,873 (2%) from \$5,382,238 reported at the end of 2012. The decrease was due to a decrease of funding from Section 8 Housing Choice Programs. The general revenues from interest earned were \$208 and \$257 in 2013 and 2012, respectively.

The Section 8 Program had net position of \$334,113 on December 31, 2013. HUD considers the availability of net position in providing additional revenues to the Section 8 Program. The Section 8 Program housing expenditures and administrative fees are affected by the availability of suitable housing units, the 340 unit limitation on the number of housing units that can be leased and the income levels of the applicants.

**CHART 2**



In 2013, the total expenses of the Agency were \$5,515,432, a decrease of \$4,919,386 over the previous year (Table 2 and Chart 3). The decrease in expenses was primarily due to the forgiveness of amount due from IDA in prior years. The expenses of the business type activities increased by \$98,603 from \$5,023,296 in 2012 to \$5,121,899 in 2013. The increase was primarily due to higher housing assistance payments as a result of

increase in housing costs and number of units rented.

A certain portion of the Agency economic development expenditures from CDBG funds are on behalf of and are reimbursable by IDA. These expenditures are recorded as due from IDA. The balance of CDBG funds pays the expenses of the Agency. In 2013, the expenditures from CDBG funds were \$355,165, showing a decrease of \$70,124 from the previous year. In 2012, the community development expenses of CDA had increased by \$70,124 as compared to 2011.

Home and community services constituted the largest portion of expenses and culture and recreation expenses represented less than 1% of the total, in 2013 and 2012(Chart 3).

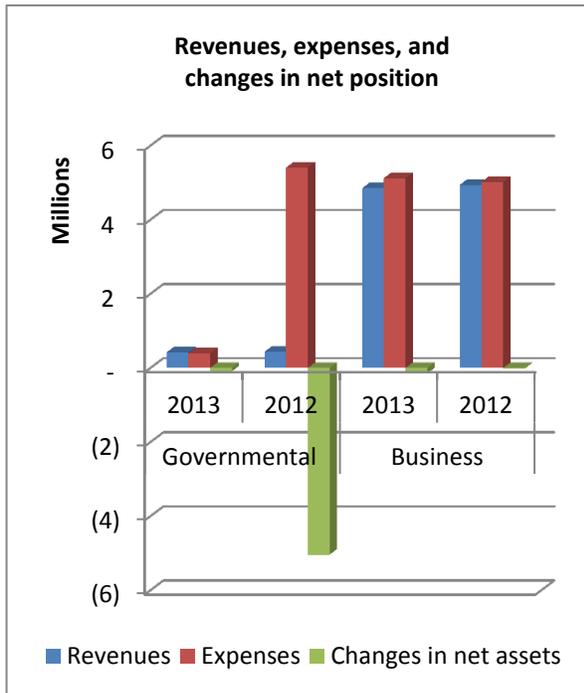
As a result of expenses exceeding revenues, the net position of governmental activities decreased by \$90,150 as of December 31, 2013. The net position decreased by \$5,039,389 in 2012.

Revenues and expenses of the CDA's governmental and business-type activities are detailed in Table 2 below.

**TABLE 2**

CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012						
	Governmental Activities		Business-Type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Revenues</b>						
Operating grants	\$424,361	\$437,180	\$4,852,004	\$4,945,058	\$5,276,365	\$5,382,238
Interest	-	-	208	257	208	257
Total revenues	<u>424,361</u>	<u>437,180</u>	<u>4,852,212</u>	<u>4,945,315</u>	<u>5,276,573</u>	<u>5,382,495</u>
<b>Expenses</b>						
Culture and recreation	35,000	40,920	-	-	35,000	40,920
Home and community	<u>358,533</u>	<u>5,370,602</u>	<u>5,121,899</u>	<u>5,023,296</u>	<u>5,480,432</u>	<u>10,393,898</u>
Total expenses	<u>393,533</u>	<u>5,411,522</u>	<u>5,121,899</u>	<u>5,023,296</u>	<u>5,515,432</u>	<u>10,434,818</u>
Change in net position before transfers	(30,828)	(4,974,342)	(269,687)	(77,981)	(238,859)	(5,052,323)
Transfers out (in)	<u>(120,978)</u>	<u>(65,047)</u>	<u>120,978</u>	<u>65,047</u>	-	-
Increase in net position	(90,150)	(5,039,389)	(148,709)	(12,934)	(238,859)	(5,052,323)
Net position, beginning	<u>2,032,863</u>	<u>7,072,252</u>	<u>482,822</u>	<u>495,756</u>	<u>2,515,685</u>	<u>7,568,008</u>
<b>Net position, ending</b>	<u>\$1,942,713</u>	<u>\$2,032,863</u>	<u>\$334,113</u>	<u>\$482,822</u>	<u>\$2,276,826</u>	<u>\$2,515,685</u>

**CHART 3**



**Governmental Funds**

Total assets of the Agency’s General Fund were \$11,080,921 in 2013 as compared to \$11,508,974 in 2012. The decrease in 2013 is primarily the result of transfers to the Housing Choice Voucher Program and expenditures for the development of the Waterfront property, on behalf of the IDA.

Total liabilities and deferred inflows of the General Fund decreased from \$10,449,557 in 2012 to \$10,086,529 in 2013. The decrease is primarily the result of paying down \$500,000 in EFC debt during 2013.

On December 31, 2012, the amount due from governmental activities to business-type activities was \$378,277. The balance increased by \$120,928 and \$39,102 in 2013 and 2012, respectively. The amount due from governmental activities to business-type activities essentially includes the OPEB and accrued compensated absence expenses of the Section 8 Program that will be paid from the Agency’s General Fund.

The Agency had a general fund balance of \$994,392 in 2013 as compared to \$1,059,417 in 2012, a decrease of \$65,025, and (7%). This is due to the expenditures and other uses of funds exceeding the revenues and other sources of funds.

In 2013, the revenues of the General Fund were \$424,361 and remained relatively unchanged from 2012.

The CDA borrowed \$36,272 and \$151,182 of Section 108 loan for the development of Waterfront properties, in 2013 and 2012, respectively.

Under the Employer Contribution Stabilization program in provision 57, Laws of 2010, the CDA elected to amortize \$27,417 of the 2012 retirement invoice. The repayment will begin in 2014 and will be for a 10 year period at 3% interest.

In 2013, the current expenditures of general Fund were \$368,408, \$216,764 lower than the previous year.

The expenditures for home and community service, decreased by \$177,684 and \$262,475 in 2013 and 2012, respectively. The expenditures for culture and recreation decreased by \$5,920 and \$9,080, and general administrative expenses were lower by \$2,670 in 2013 and \$142,338 in 2012.

**Capital Assets**

As of December 31, 2013 the capital assets of the CDA were as follows:

**TABLE 3**

CAPITAL ASSETS DECEMBER 31, 2012	
	Amount
Waterfront road	1,937,200
Equipment	<u>44,808</u>
Total capital assets	1,982,008
Less: Accumulated depreciation	<u>(39,521)</u>
Total capital assets, net	\$1,942,487

The Agency owes \$673,200 to the City for the acquisition of the Connector Road. The Section 8 Program capital assets include \$31,651 of equipment with accumulated depreciation of \$30,199. For additional information, please refer to the notes to the financial statements, Note 4 “Capital Assets”.

### **Debt Administration**

On December 31, 2013, long-term liabilities of the governmental activities were \$10,541,290 and accounted for 99.6% of the total liabilities of \$10,580,038. Long-term liabilities include the amount of \$7,048,831 borrowed for the Waterfront Development Project in Section 108 loans, \$2,873,849 due to the City of Glen Cove, \$325,875 for OPEB, \$29,296 notes payable to the NYS Employees Retirement System, \$229,316 interest and principal for the Brownfield Revolving Loan Fund, \$33,713 for compensated absences and \$410 installment loan for purchase of equipment.

Initially, the CDA had borrowed \$6,000,000 from HUD as a Section 108 Loan. The repayment of this loan is guaranteed by the future Community Development Block Grant funds of the CDA. Subsequently, the City of Glen Cove borrowed \$1,255,000, from the New York State Environmental Facilities Corporation, at a lower interest rate and paid off a part of the Section 108 loan. \$500,000 of this EFC loan was paid of in 2013.

The CDA has signed two notes in the amounts of \$850,000 and \$1,500,000 that mature on July 31, 2013; and has borrowed \$2,277,504, as of December 31, 2012.

The Section 108 loans have provided the CDA with a source of financing for the large-scale physical development of the Waterfront Properties that are owned by the Glen Cove Industrial Development Agency. This loan has allowed the CDA to transform a small portion of its CDBG funds into federally guaranteed loans large enough to pursue its physical and economic revitalization projects that has renewed the entire neighborhood. This public

investment was needed for the environmental cleanup and to inspire private economic activity. Section 108 loans are not risk-free, however; the CDA has guaranteed the Section 108 loans by pledging its current and future CDBG allocations as security. For additional information, please refer to the notes to the financial statements.

The CDA owes a total of \$2,873,849 to the City for the waterfront expenditures, including loan refinancing of \$755,000.

For additional information on long-term debt activity, please refer to Note 7 “Long Term Debt”.

### **Retirement**

The New York State Employees’ Retirement System has suffered from the effects of the weak stock market conditions in prior years. As a result, the system required additional contributions from the CDA in excess of the amounts budgeted. The CDA issued a note to the Retirement System to cover the additional liability. The note bears an annual interest rate of 5% and is amortized over a period of ten years. The outstanding balance of this note at December 31, 2013 is \$2,184.

In 2012, due to additional billing from the New York State Employees’ Retirement System, the CDA issued an additional note in the amount of \$29,216. The repayment will begin in 2014 and will be for a 10 year period at 3%.

### **Federal Aid**

The CDA receives financial assistance from the United States Department of Housing and Urban Development (HUD). The Community Development Block Grant funds pass through the County of Nassau Office of Community Development. The Section 8 Housing Choice Voucher Program Funds are received directly from HUD.

## ECONOMIC FACTORS AND NEXT YEAR'S PLAN

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.

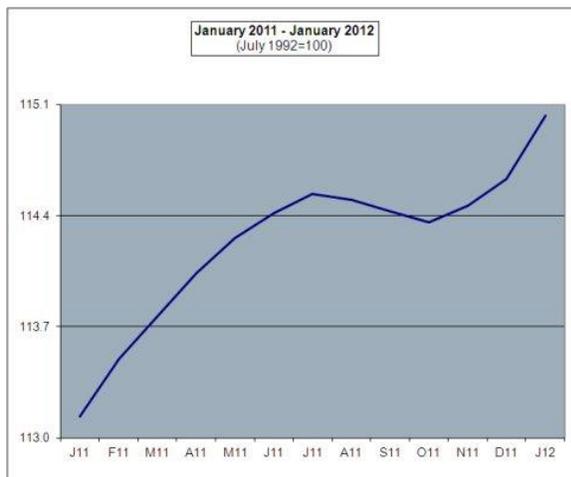
Since 1970, there have been seven distinct recessions in the U.S. and New York State. Recessions in New York have tended to be significantly longer than their national counterparts. This trend has become more pronounced over the past 30 years. The last four recessions in New York State (dating back to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

Dates in U. S. (Peak-Trough)	Length (months)	Dates in NYS (Peak Trough)	Length months	NYS Change in Jobs	
				Net (in 1000s)	Percent
Dec.69-Nov.70	11	Dec.69-Nov.71	23	-310.2	-5.3%
Nov.73-Mar.75	16	Mar.73-Nov.75	30	-393.1	-6.7%
Jan.80 -Jul.80	6	Feb.80-Jul.80	5	-66.3	-1.1%
Jul.81-Nov. '82	16	Aug 81-Jan.83	16	84.1	-1.4%
Jul.90-Mar.'91	8	Mar.89-Nov.92	44	-545.3	-8.0%
Mar.01-Nov.01	8	Dec.00-Jul.03	32	-332.8	-4.6%
Dec.07-June 09	18	April 08-Dec. 09	19	-332.1	-4.4%

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 CDA's finances and to demonstrate the CDA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Community Development Agency, Executive Director at (516) 676-1625.

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



**GLEN COVE COMMUNITY DEVELOPMENT AGENCY  
STATEMENT OF NET POSITION  
DECEMBER 31, 2013**

<b>Assets</b>	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 11,792	\$ 256,647	\$ 268,439
Receivable from other governments	69,970	-	69,970
Other receivables:			
Due in one year	-	24,090	24,090
Due from (to) other funds	(499,205)	499,205	-
Due from City of Glen Cove	136,797	-	136,797
Due from Industrial Development Agency	10,862,362	-	10,862,362
Capital assets:			
Land	1,937,200	-	1,937,200
Other capital assets, net of depreciation	<u>3,835</u>	<u>1,452</u>	<u>5,287</u>
Total assets	<u>12,522,751</u>	<u>781,394</u>	<u>13,304,145</u>
<b>Liabilities</b>			
Accounts payable accrued expenses	38,748	9,776	48,524
Non-current liabilities:			
Due in one year	118,057	-	118,057
Due in more than one year	<u>10,423,233</u>	<u>437,505</u>	<u>10,860,738</u>
Total liabilities	<u>10,580,038</u>	<u>447,281</u>	<u>11,027,319</u>
<b>Net position</b>			
Net investment in capital assets	1,303,835	1,452	1,305,287
Restricted for:			
Section 8 Housing Choice Voucher Program	-	332,661	332,661
Community Development Block Grant Program	638,878	-	638,878
Unrestricted:	<u>-</u>	<u>-</u>	<u>-</u>
Total net position	<u>\$ 1,942,713</u>	<u>\$ 334,113</u>	<u>\$ 2,276,826</u>

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

**GLEN COVE COMMUNITY DEVELOPMENT AGENCY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charge for Services</u>	<u>Operating Grants</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Governmental activities:						
Culture and recreation	\$ (35,000)	\$ -	\$ 35,000	\$ -	\$ -	\$ -
Home and community	(358,533)	-	389,361	30,828	-	30,828
Business-type Activities:						
Housing assistance	<u>(5,121,899)</u>	<u>-</u>	<u>4,852,004</u>	<u>-</u>	<u>(269,895)</u>	<u>(269,895)</u>
Total	<u>\$ (5,515,432)</u>	<u>\$ -</u>	<u>\$ 5,276,365</u>	30,828	(269,895)	(239,067)
General revenues:						
Interest				-	208	208
Transfers in (out)				<u>(120,978)</u>	<u>120,978</u>	<u>--</u>
Change in net position				(90,150)	(148,709)	(238,859)
Net position – January 1, 2013				<u>2,032,863</u>	<u>482,822</u>	<u>2,515,685</u>
Net position – December 31, 2013				<u>\$ 1,942,713</u>	<u>\$ 334,113</u>	<u>\$ 2,276,826</u>

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

**BASIC FINANCIAL STATEMENTS:**

**FUND FINANCIAL STATEMENTS**



**GLEN COVE COMMUNITY DEVELOPMENT AGENCY  
BALANCE SHEET - GOVERNMENTAL FUND  
GENERAL FUND  
DECEMBER 31, 2013**

**Assets**

Cash	\$ 11,792
Receivable from other Governments	69,970
Due from City of Glen Cove	136,797
Investments in and advances to Glen Cove IDA	<u>10,862,362</u>
Total assets	<u>\$ 11,080,921</u>

**Liabilities:**

Accounts payable & accrued expenses	\$ 38,748
Due to Housing Choice Voucher Program	<u>499,205</u>
Total liabilities	<u>537,953</u>
Deferred inflows	<u>9,548,576</u>

**Fund balances:**

Restricted for community development	<u>994,392</u>
Fund balance	<u>994,392</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 11,080,921</u>

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

**GLEN COVE COMMUNITY DEVELOPMENT AGENCY  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2013**

Fund balances - total governmental funds		\$ 994,392
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources therefore are not reported in the governmental funds:		
Governmental capital assets		1,950,357
Less accumulated depreciation		(9,322)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds:		
Section 108 loan	(7,048,831)	
Due to City of Glen Cove	(2,873,849)	
Lease obligation	(410)	
Retirement system note	(29,296)	
Nassau County note	(210,000)	
Compensated absences	<u>(33,713)</u>	
		(10,196,099)
Program income recognized as earned in governmental activities. These revenues are recognized when measurable and available within the governmental fund		9,548,576
The net post-employment benefit liability is recorded in the Government-Wide financial statements but not in the fund financial statements		(325,875)
Interest accrued on long term debt recognized as expense in governmental activities and not reported in the governmental fund until paid		<u>(19,316)</u>
Net position of governmental activities.		<u>\$ 1,942,713</u>

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

**GLEN COVE COMMUNITY DEVELOPMENT AGENCY  
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCE  
GENERAL FUND  
THE YEAR ENDED DECEMBER 31, 2013**

**Revenues:**

Program income-IDA	\$ 104,353
Federal aid	<u>320,008</u>
Total revenues	<u>424,361</u>

**Expenditures:**

Current:	
Culture and recreation	35,000
Home and community service	297,264
General administration	19,213
Debt service:	
Principal	956
Interest	<u>15,975</u>
Total expenditures	<u>368,408</u>
Deficiency of revenues under expenditures	55,953
Transfer out to Housing Choice Voucher Program	<u>(120,978)</u>
Change in fund balance	(65,025)
Fund balance, January 1, 2013	<u>1,059,417</u>
Fund balance, December 31, 2013	<u><u>\$ 994,392</u></u>

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

**GLEN COVE COMMUNITY DEVELOPMENT AGENCY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Net change in fund balances - total governmental funds \$ (65,025)

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

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. For governmental funds, loans made that are not expected to be repaid in the near future are offset with deferred revenues whereas loans made are considered project expenditures and loans collected are considered current year revenue. However, on the statement of activities only interest earnings are reported.

Deferred revenue (15,197)

Repayment of long term debt principal is expenditure in governmental funds, but repayment reduces long-term debt in the Statement of Net position.

Retirement system note 4,472

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Current year depreciation (1,629)

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

Accrued compensated absences (7,697)

Accrued interest (6,300)

Copier payment 1,226

Change in net position of governmental activities \$ (90,150)

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

**GLEN COVE COMMUNITY DEVELOPMENT AGENCY  
HOUSING CHOICE VOUCHER PROGRAM  
STATEMENT OF NET POSITION  
DECEMBER 31, 2013**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 256,647
Receivables	24,090
Total current assets	<u>280,737</u>
Non-current assets:	
Due from General Fund	499,205
Capital assets, net	1,452
Total non-current assets	<u>500,657</u>
Total Assets	<u>\$ 781,394</u>

**LIABILITIES**

Current liabilities:	
Accounts payable accrued expenses	\$ 9,776
Non-current liabilities:	
Compensated absences and pension note	129,245
OPEB	308,260
Total liabilities	<u>\$ 447,281</u>

**NET POSITION**

Net investment in capital assets	1,452
Restricted for housing assistance payments	332,661
Unrestricted	-
Total net position	<u>\$ 334,113</u>

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

**GLEN COVE COMMUNITY DEVELOPMENT AGENCY  
HOUSING CHOICE VOUCHER PROGRAM  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
THE YEAR ENDED DECEMBER 31, 2013**

Operating revenues:	
Administration fees earned	\$ <u>294,349</u>
Operating expenses:	
Salaries and benefits	342,378
Administrative expenditures	57,537
Depreciation expense	<u>1,602</u>
Total operating expenses,	<u>401,517</u>
Operating (loss)	<u>(107,168)</u>
Non-operating revenues (expenses)	
HUD Operating grant Housing assistance	4,539,471
Housing assistance payments	(4,720,382)
Operating grant - Community Development Agency	18,184
Interest Income	<u>208</u>
Non-operating income	(162,519)
Income/(loss) before contributions and transfers	(269,687)
Transfer in from CDA	<u>120,978</u>
Changes in net position	(148,709)
Net position at beginning of year	<u>482,822</u>
Net position - ending	\$ <u>334,113</u>

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

**COMMUNITY DEVELOPMENT AGENCY  
HOUSING CHOICE VOUCHER PROGRAM  
STATEMENT OF CASH FLOWS  
THE YEAR ENDED DECEMBER 31, 2013**

**Cash flows from operating activities:**

Administrative fees	\$ 296,679
Payments to suppliers for goods and services	(48,482)
Salaries and benefits	<u>(293,155)</u>
Net cash used in operating activities	(44,958)

**Cash flows from investing activities:**

Interest Income	<u>208</u>
Net cash provided by investment activities	208

**Cash flows from non-capital financing activities:**

Housing and Urban Development grant	4,539,521
Payments for housing assistance	(4,720,382)
Operating grant Community Development Agency	<u>18,184</u>
Net cash used for non-capital financing activities	<u>(162,677)</u>
Change in cash and cash equivalents	(207,427)
Cash and cash equivalents at beginning of year	<u>464,074</u>
Cash and cash equivalents at end of year	<u>\$ 256,647</u>

**Reconciliation of operating income to net cash produced by operating activities**

Operating (loss)	\$ (107,168)
Adjustments to reconcile change in net position to net cash provided by operating activities:	
Depreciation expense	1,602
Changes in operating assets and liabilities:	
OPEB liability	48,034
Accounts receivable	2,330
Accounts payable and accrued expenses	9,055
Compensated absences	<u>1,189</u>
Net cash used in operating activities	<u>\$ (44,958)</u>

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

## NOTES TO FINANCIAL STATEMENTS



**GLEN COVE COMMUNITY DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS**

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

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

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

**FINANCIAL REPORTING ENTITY**

The Glen Cove Community Development Agency, formally known as the Urban Renewal Agency, was established on April 16, 1964 under Title 11-A Section 580-a of the Consolidated Laws of the State of New York. The name change was mandated by State Law Section 580(a) on January 1, 1980.

The powers of the Agency are vested in the Mayor, as Chairman, and its six-member Board of Directors. The members are appointed by the Mayor of the City of Glen Cove subject to the approval of the City council. Agency obligations are backed by the City of Glen Cove.

GASB Statement No. 14, *“The Financial Reporting Entity,”* states that a primary

government that appoints a voting majority of an organization’s officials or is obligated in some manner for the debt of that organization, is financially accountable for that organization. Based on this criterion, the CDA is considered a discretely presented component unit of the City of Glen Cove and is included in their basic financial statements.

The Community Development Agency has a separate department that manages its Section 8 Housing Choice Voucher Program (“Section 8 Program.”) The Section 8 Program provides housing to qualified low-income individuals in accordance with rules and regulations prescribed by the United States Department of Housing and Urban Development.

A Section 8 rental subsidy is a federal payment to a landlord on behalf of an individual tenant. The federal government pays the difference between 30 percent of the household income and the set “fair market” rent of a unit. The Section 8 Program funds are received from the U.S. Department of Housing and Urban Development (HUD). The participant is free to choose any housing that meets the requirements of the program and is not limited to units located in subsidized housing projects.

The Section 8 Program places the choice of housing in the hands of the individual family. A low-income family selected by the Program to participate is encouraged to consider several housing choices to secure the best housing for the family needs. A housing voucher holder is advised of the unit size for which it is eligible based on family size and composition.

The housing unit selected by the family must meet an acceptable level of health and safety before the Program can approve the unit. When the voucher holder finds an

unacceptable unit, the Section 8 Program must inspect the dwelling and determine that the rent requested is reasonable.

Under the Section 8 Program, new voucher-holders may choose a unit anywhere in the United States if the family lived in the jurisdiction of the Program issuing the voucher when the family applied for assistance. Those new voucher-holders not living in the jurisdiction of the Program at the time the family applied for housing assistance must initially lease a unit within that jurisdiction for the first twelve months of assistance. A family that wishes to move to another Program's jurisdiction must consult with the Program that currently administers its housing assistance to verify the procedures for moving.

## **BASIC FINANCIAL STATEMENTS**

In accordance with GASB Statement No. 34, *“Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments,”* the basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (Statement of Net Position and Statement of Activities) report on the Agency as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by intergovernmental revenues (Primarily Federal aid), are reported separately from business-type activities, which rely to a significant extent on fees and charges for support of its administrative activities, which involve management of the Section 8 Program. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The Agency has only a single governmental activity and one business activity to report.

The government-wide financial statements focus more on the sustainability of the Agency as an entity and the change in aggregate and net financial position resulting from the activities of the fiscal period. The effect of inter-fund activity has been removed from the government-wide financial statements.

The government-wide Statement of Net Position reports all financial and capital resources of the Agency. It is displayed in a format of assets less liabilities equal net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be displayed in three components: 1) invested in capital assets, 2) restricted, and 3) unrestricted. Invested in capital assets, represents capital assets net of accumulated depreciation, reduced by outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Agency has \$637,200 in debt to the City of Glen Cove related to the acquisition of its capital assets.

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

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

Both the government-wide and fund financial statements (within the basic financial

statements) categorize primary activities as either governmental or business type activities. In the Statement of Net Position, the governmental activities and business activities columns are presented on a consolidated basis in a single column (the CDA has only a single General Fund and a business-type fund), and are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

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

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants and charges for providing services. The program revenues must be directly associated with the functional (home and community, culture and recreation and housing assistance) activity. The operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. The Agency did not have capital specific grants in the fiscal year ended December 31, 2013.

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

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

The governmental fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized only as they become susceptible to accrual (measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and

judgments, and compensated absences, which are recognized as expenditures when payment is due.

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

The Agency reports the following major governmental fund:

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

The Agency reports the following proprietary fund:

Section 8 Housing Choice Voucher Program - This enterprise fund accounts for the administration of 340 units of rental assistance through the HUD funded Housing Choice Voucher Program. The enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in the Net Position. This fund follows the accrual basis of accounting, which involves a capital maintenance and recovery focus. Under this method, revenues are recognized when earned and expenses are recognized when

incurred. The enterprise fund's unbilled receivables are recognized as revenues at year-end.

Inter-fund Transfers - Transfers among funds are recognized in the accounting period in which inter-fund receivables and payables arise. Intergovernmental revenues received as reimbursements for specific purposes are recognized based upon the expenditures recorded.

## **BUDGETS AND BUDGETARY ACCOUNTING**

The Agency uses both annual and program budgets for the General Fund and Section 8 Program. The budgets are not legally adopted budgets but are used for planning and control documents by the agency.

### **Annual Budgets**

The annual budget is proposed for the General Fund and the Section 8 Program by the Executive Director and submitted to the Board of Directors for approval. The Section 8 Program annual budget is to allocate the administrative fees received from the HUD for managing the Housing Choice Voucher program among various expenses. The General Fund budget provides planning appropriations to cover both program and administrative expenditures and is presented as other supplementary information.

The budgets are amended during the year as additional planning information becomes available. The Executive Director, with the approval of the Board of Directors is authorized to amend the budget allocations and total appropriations. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

## Program Budgets

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

The CDA receives annual funding from a Community Development Block Grant Program (“CDBG”) of the United States Department of Housing and Urban Development (“HUD”) via the Nassau County Office of Housing and Intergovernmental Affairs.

Every year the CDA receives an application from Nassau County’s Office of Community Development (“OCD”) to apply for CDBG funds. The contract fiscal year for the CDBG grant begins at the first day of September and ends on the thirty first day of August. The application is sent to the CDA between February and March of the next grant year. The Agency must complete the application and submit a three year plan for the upcoming and following two grant years for the Agency. The Agency must also include the CDBG Budget in the CDBG Application.

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

Upon receipt of the application, the CDA holds a meeting of the Board of Directors to authorize the Executive Director to apply for the grant. After authorization, the City Council will call a Public Hearing regarding the grant. Notice of Public Hearing is published and a public hearing is held by the City Council to provide citizens with an opportunity to propose the inclusion of activities in the program year. The Public Agencies applications are reviewed by the CDA Board.

After approval of the Council, the grant application is sent to the OCD. The OCD reviews and recommends changes to the CDA’s request of funds and sends the awarded contract back to the CDA for the Mayor’s signature. After the Mayor signs the contract it is sent back to OCD for approval. OCD will send the approval and an environmental clearance to the CDA at which point the CDA has the right to draw down the funds.

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

### *Section 8 Housing Choice Voucher Program Budget*

The Section 8 Program enters into an Annual Contribution Contract (ACC) with HUD. Under the ACC, HUD agrees to make payments over a specified term to Section 8 for housing assistance payments to owners and for Section 8 administrative fees. The ACC specifies the maximum payment over the ACC term. The Section 8 Program administration agrees to manage the Section 8 assistance in accordance with HUD regulations and requirements.

HUD’s commitment to make payments for each funding increment in the Section 8 Program constitutes a separate ACC. However, commitments for all the funding increments in the Section 8 Assistance Program are listed in one consolidated contractual document called the consolidated Annual Contributions Contract (consolidated ACC). A single consolidated ACC covers funding for the whole assistance program.

The budget of the Section 8 is the maximum amount that may be paid by HUD to the Section 8 Program over the ACC term of a funding increment. Before adding a funding

increment to the consolidated ACC, HUD reserves budgeted Section 8 from amounts authorized and appropriated by the U.S. Congress for the Program.

For each funding increment, the ACC specifies the term over which HUD will make payments for the Section 8 Program, and the amount of available budget Section 8 for each funding increment. The amount to be paid to the Section 8 Program during each fiscal year (including payment from the ACC reserve account) must be approved by HUD.

HUD may establish and maintain an unfunded reserve account for the program from available budget Section 8 under the consolidated ACC. This reserve is called the "ACC reserve account" (formerly "project reserve"). There is a single ACC reserve account for the Section 8. HUD determines the amount in the ACC reserve account and may approve payments for the Section 8 Program, in accordance with the Section 8's HUD-approved budget, from available amounts in the ACC reserve account.

For each fiscal year, administrative fees are specified in the Section 8 budget. The budget is submitted for HUD approval. Fees are paid in the amounts approved by HUD. Administrative fees may only be approved or paid from amounts appropriated by the Congress. The administrative fees may only be used to cover costs incurred to perform Section 8 administrative responsibilities for the program in accordance with HUD regulations and requirements. The Section 8 Program's ongoing administrative fee is paid for each program unit under Section 8 contract on the first day of the month.

The Community Development Agency annually transfers additional funds to the Section 8 Program to cover the excess of its administrative costs over the fees earned and received from HUD.

## **ASSETS, LIABILITIES, NET POSITION, FUND BALANCES, REVENUES AND EXPENSES**

### **Deposits and Investments**

Cash includes amounts in demand deposits as well as short-term investments with original maturities of three months or less from the date acquired by the CDA, which are not specifically restricted as to use.

Cash balances in excess of Federal Deposit Insurance Corporation (FDIC) limits are collateralized at 102% by municipal notes and U.S. Treasury Notes held by third party trustee departments.

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

### **Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

### **Other Assets**

Other assets are recorded and accounted for at cost.

### **Prepaid Items**

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

financial statements, these prepaid items are recorded on the consumption basis.

### **Capital Assets**

Capital assets, including property, equipment, and infrastructure assets (i.e., roads, sidewalks and similar items), are reported in the applicable governmental activities or business type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Assets contributed (donated) to those funds are recorded by reference to historical costs of the donor if recently purchased or constructed, or if such records are not available, at estimated fair market value on the date of receipt.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

When capital assets are disposed of, the cost and accumulated depreciation or amortization is removed from the accounts and any resultant gain or loss is recognized in the government-wide and Proprietary Fund financial statements.

For the Section 8 Program, as a proprietary fund, the capital assets are reported on a "capital maintenance" measurement focus. Property, plant, and equipment acquired by the Agency are stated at cost (or estimated historical cost) including interest capitalized during construction, where applicable.

Depreciation of all exhaustible fixed assets used by the Agency is charged as an expense against its operations.

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.

### **Long-term Obligations**

In the government-wide financial statements and the Proprietary Fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

### **Compensated Absences**

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered. The CDA employees receive vacation time, sick leave, and other benefits. Employees of the CDA may carry over unused vacation and sick days as stipulated by the CDA Employee Handbook.

The employees of the CDA may accumulate 250 sick days to be paid out upon retirement. Only 75% of benefits so earned will be paid to those employees with less than 10 years of service.

The cost of compensated absences is accrued, when incurred, in the government-wide financial statements.

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

## **Other Post Retirement Benefits (OPEB)**

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

Prior to the issuance of the Government Accounting Standards Board Statement 45 (GASB 45), the Agency followed a "pay-as-you-go" accounting approach in which the cost of benefits were 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 2008, the Agency implemented GASB Statement 45. The Agency believes that 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.

GASB 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.

GASB 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.

## **Risk Management**

The Agency is potentially exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; general liability; workers' compensation and unemployment claims. The CDA is covered for general liability and worker's compensation claims under the City of Glen Cove Self-Insurance Fund (CIF). The Agency had no outstanding claims or judgments against it during the fiscal year.

## **Deferred Inflows**

Revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual (i.e. when they become both measurable and available to finance expenditures of the fiscal period.) "Available" means collectible within the current period (year ended December 31, 2013) or within 60 days after year end (January or February of 2014) and usable to pay liabilities of the current period.

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

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

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

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

## **Inter-fund and Intra-entity Loans and Transfers**

From time to time, the CDA transfers funds to the Section 8 Program to cover Section 8 Program's administrative expenses in excess of HUD provided administrative fees. At December 31, 2013, the CDA owed the Section 8 Program \$499,205. The major portion of the amount owed was for the OPEB expense, compensated absences and payroll expenses. This account is eliminated in consolidation.

Any amounts due to or due from the primary government from or other component unit are shown as receivables from and payables to external parties in the government-wide Statement of Net position. Generally, the amounts due from The Industrial Development Agency (IDA) and payable to the City are expected to be settled upon the sale of the Waterfront property by the IDA. The Agency estimates that the sale of the property would require time and accordingly the amounts of \$9,411,779, due from the IDA, and \$136,797, due from the City, were determined to represent long-term

receivables and not available for current expenditures and were credited to deferred inflows, in the Agency's Fund Balance Sheet. Also, in the Agency's Fund Balance Sheet, the amount of \$2,873,849 due to the City of Glen Cove is a general long-term liability and was recorded as other financing sources when the funds were borrowed.

In the Statement of Net Position the reimbursements receivable from the City or the IDA are presented as loans from the Agency to primary government or the IDA. The resulting transactions have no effect on the revenues and expenditures of the Agency. Upon receipt of the reimbursement from the City or the IDA, the Agency increases its cash and reduces its receivable account.

## **Operating and Non-operating Revenues and Expenses**

Operating revenues generally result from providing goods and services to individuals or entities separate from the Agency. 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 include administrative fees received from HUD.

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 and housing assistance and other grants.

## **Accounting Pronouncements**

GASB Statement No. 66 - "Technical Corrections - 2012 - an Amendment of GASB Statements No. 10 and No. 62" improves accounting and financial reporting for a governmental entity by resolving conflicting guidance that resulted from the issuance of two pronouncements. Statements No. 54 -

"Fund Balance Reporting and Governmental Fund Type Definitions" and No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This statement amends Statement No. 10 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 No. 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 (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The requirements of this statement are effective for periods beginning after December 15, 2012. This statement was implemented in 2013.

GASB Statement No. 67 - "Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25" replaces existing standards for financial reporting and note disclosure for most pension plans that are administered through trusts or equivalent arrangements. The Statement specifies the required approach for measuring the pension liability of all employers and non-employer contributing entities participating in a pension plan and details required note disclosures for financial reporting. The requirements of this statement are effective for periods beginning after June 15, 2013, beginning January 1, 2014 for the Agency. It is anticipated that this statement will have no effect on the Agency.

GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date" replaces existing standards of accounting and financial

reporting for pension plans that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. The requirements of this statement are effective for periods beginning after June 15, 2014, which is the fiscal year beginning January 1, 2015 for the Agency. These statements are being evaluated for their effect on the financial statements of the Agency.

GASB Statement No. 69 - "Government Combinations and Disposals of Government Operations" establishes accounting and financial reporting standards for government mergers, acquisitions and disposals. The statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effect of those transactions. The requirements of this statement are effective for periods beginning after December 15, 2013, which is the fiscal year beginning January 1, 2014 for the Agency. This statement is not expected to have a material effect on the financial statements of the Agency.

GASB Statement No. 70 - "Accounting and Financial Reporting for Nonexchange Financial Guarantees" improves the accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the

reduction in its guaranteed liabilities. The requirements of this statement are effective for periods beginning after June 15, 2013, which is the fiscal year beginning January 1, 2014 for the Agency. This statement is not expected to have a material effect on the financial statements of the Agency.

GASB Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date" supplements guidance provided in GASB Statement No. 68. This Statement amends GASB Statement No. 68 by requiring that, at transition, a government recognize any payment made subsequent to the measurement date used in determining the pension liability as a deferred outflow. This statement will be effective for the CDA in 2015.

**NOTE 2. CASH AND CASH EQUIVALENTS**

At December 31, 2013, carrying values of cash and cash equivalents was \$268,439. The amount on deposit was \$309,530.

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

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

The collateral amounts are as required by the Agency's custodial bank agreement at 102%. Obligations that may be pledged as collateral are obligations of the United States and its

agencies and obligations of the State and its municipalities and school districts. Periodically, the Agency determined that the collateral or underlying securities have an adequate market value and have been segregated.

**NOTE 3. ACCOUNTS RECEIVABLE**

For the year ended December 31, 2013, the current accounts receivable of the CDA and Section 8 Program aggregated \$94,060 which was composed of \$67,490 receivable from the County of Nassau, primarily for reimbursement of payroll and professional expenses, \$2,480 receivable from the City of Glen Cove and \$24,090 from recipients of Section 8 housing assistance payments whose income status necessitated repayment of the assistance that they had received. These receivables are deemed as current and assumed to be collected within 90 days.

**NOTE 4. AMOUNTS DUE TO OR FROM THE CITY AND IDA**

At December 31, 2013 the CDA owed the City \$2,873,849 and had accounts receivable of \$136,797 from the City for legal expenses the CDA paid on the City's behalf. The net amount owed to the City was \$2,873,849. The amount due to the city increased expenses by \$16,072. The following is a breakdown of the amounts owed to the City:

	<u>Amount</u>
Balance payable - Glen Cove Roadway purchase	\$637,200
City EFC loan to pay CDA Section 108 loan	755,000
Rent and utilities	511,573
Section 108-interest advance	371,268
Accrued interest at 0.5105% on outstanding cumulative balances	598,808
<b>Total due City at December 31, 2013</b>	<b><u>\$2,873,849</u></b>

For the year ended December 31, 2013, the amounts due from the IDA decreased by \$2,437,807 to an aggregate owed to the CDA of \$9,411,779. The decrease in amounts receivable from the IDA represent a forgiveness of debt due to the write down of

the waterfront property to the agreed sale amount of \$15M.

	<u>Amount</u>
Balance receivable - contractual expenses	\$7,230,393
Balance receivable - payroll benefits	817,363
EFC Loan	755,000
Section 108 Loan	<u>7,048,831</u>
Total due from IDA	15,851,587
Less; amount forgiven	<u>(4,989,225)</u>
Balance, December 31, 2013	<u>\$10,862,362</u>

### NOTE 5. CAPITAL ASSETS

Under the current accounting policy, the capital assets include the land and improvements, buildings and improvements and construction-in-progress. The CDA and Section 8 Program reported an aggregate of

\$1,942,487 in fixed assets, net of depreciation, at December 31, 2013.

In October 2004, the CDA purchased lots and parcels from the City of Glen Cove for the Glen Cove Roadway Extension Project for the sum of \$1,937,200. The CDA used program income of \$1,300,000 from the sale of Property to Avalon Bay to pay for the lots and parcels and currently owes the City a balance of \$637,200 at December 31, 2013. The net position invested in capital assets were \$1,305,287 at December 31, 2013.

In business type activities, the depreciation expense of \$1,602 was charged to Home and Community Function. The changes in capital assets during the year ended December 31, 2013 are as follows:

	Balance 12/31/2012	Additions	Deletions	Balance 12/31/2013
<b>Governmental Activities:</b>				
Non-depreciable assets:				
Roadway	\$ 1,937,200	--	--	1,937,200
Total non-depreciable assets	1,937,200	--	--	1,937,200
Depreciable assets: Equipment	13,157	--	--	13,157
Total capital assets	1,950,357	--	--	1,950,357
Less accumulated depreciation for: equipment	(7,693)	(1,629)	--	(9,322)
Total governmental activities capital assets, net	1,942,664	(1,629)	--	1,941,035
<b>Business-Type Activities:</b>				
Depreciable assets: Equipment	31,651	--	--	31,651
Less accumulated depreciation for: equipment	(28,597)	(1,602)	--	(30,199)
Capital assets, net	3,054	(1,602)	--	1,452
Total capital assets, net	\$ 1,945,718	(3,231)	--	1,942,487

**NOTE 6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

For the year ended December 31, 2013, the CDA and Section 8 Program reported the following accounts payable and accrued expenses as shown in the table below.

	Govern- mental Activities	Business- type Activities	Total
Contractual expenses payable	\$13,683	\$1,102	\$14,785
Payroll	1,633	1,474	3,107
Professional	7,200	7,200	14,400
Accrued interest	16,232	-	16,232
<b>Total</b>	<b>\$38,748</b>	<b>\$9,776</b>	<b>\$48,524</b>

**NOTE 7. LONG TERM DEBT**

In October 1999, CDA, the Glen Cove Industrial Development Agency (“IDA”), and the County of Nassau (“County”) entered into agreements regarding obtaining 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 acquire, decontaminate, and develop certain waterfront properties.

The agreements included the following provisions:

- 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 CDA and the IDA regarding the repayment of the loan and indemnification for all hazardous material.
- 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 will be set on the date of such advance and will be equal to 0.2% above the three-month London Interbank Offered Rate (LIBOR). Interest was to be paid quarterly and the maturity date of the loan was originally August 1, 2004. This loan has been extended and amended several times and is now due and payable \$113,000 annually through August 1, 2015. The remaining balance is due August 1, 2016.

- The IDA agreed to use the program income that will be obtained from the sale of properties to repay the Section 108 loan. The CDA, the City of Glen Cove and both the Section 108 and EFC loans will be repaid upon the sale of the waterfront properties.

In December 2003, the City of Glen Cove obtained a loan from the State of New York Environmental Facilities Corporation (“EFC”) for the CDA to pay down the Section 108 loan. The CDA paid the amount of \$1,255,000, reducing the Section 108 loan to \$4,745,000. During 2013, \$500,000 was paid on this EFC loan on behalf of the City. The remaining \$755,000 is included in the amount due to the City of Glen Cove, on the CDA’s balance sheet.

On October 13, 2009, the City, the CDA, the IDA and the County of Nassau executed an agreement for the Agency to borrow \$2,350,000 pursuant to Section 108 of Title I of the Housing and Community Development Act of 1974. The \$2,350,000 notes are 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 through the maturity date of the loan is July 31, 2014.

The purpose of the New Section 108 Loan is to purchase, develop and remediate the

Doxey and Gladsky lands and pay interest on the existing Section 108 loan.

The CDA has signed two notes in the amounts of \$850,000 and \$1,500,000 that mature on July 31, 2014; and has borrowed \$2,303,831 of this amount through December 31, 2013.

Under the terms of the Development Agreement, the parties have accepted that, prior to the conveyance of the Waterfront property, in the event of default or non-timely performance, to reimburse the Developer for environmental and other costs incurred by the Developer.

As of December 31, 2013, annual debt service requirements to maturity for the Section 108 loans are as follows:

	<u>First Loan</u>	<u>Second Loan</u>	<u>Interest (1)</u>
2014	\$ 113,000	-	Adjustable
2015	113,000	-	
2016	4,519,000	2,303,831	
Total	<u>\$4,745,000</u>	<u>2,303,831</u>	

(1) Interest is computed quarterly at 90 Day Libor rate plus 20 basis points

The table on below is a summary of changes in long-term liabilities reported in the government-wide financial statements of net position for the year ended December 31, 2013.

	<u>Balance</u> <u>12/31/2012</u>	<u>Reductions</u>	<u>Additions</u>	<u>Balance</u> <u>12/31/2013</u>	<u>Due in</u> <u>One Year</u>
Governmental activities:					
Section 108 Loan	\$7,022,504	\$ -	\$26,327	\$7,048,831	\$113,000
OPEB	275,097	-	50,778	325,875	-
Due to City of Glen Cove	3,359,104	(500,000)	14,745	2,873,849	-
Retirement note payable	33,768	(4,472)	-	29,296	4,647
Installment payable	1,636	(1,226)	-	410	410
Brownfield Revolving Loan and interest	223,015	-	6,301	229,316	-
Liability for compensated absences	26,016	(6,412)	14,109	33,713	-
Total long term debt	10,941,140	(512,110)	112,260	10,541,290	118,057
Business activities:					
OPEB	260,226	-	48,034	308,260	-
Liability for compensated absences	128,056	(23,599)	24,788	129,245	-
Total long term debt	388,282	(23,599)	72,822	437,505	-
Total combined long term debt	<u>\$11,329,422</u>	<u>\$(535,709)</u>	<u>\$185,082</u>	<u>\$10,978,795</u>	<u>\$118,057</u>

On May 25, 2006, the Supreme Court of Nassau County granted the IDA permission to acquire the Doxey Property by Eminent Domain. Three appraisals were conducted. The Agency acquired the property in 2008 for \$980,000, which was the highest appraised value. The Agency has completed phase II environmental testing. The resulting remediation and cleanup was estimated to be completed by the end of 2012. However, due to weather and project funding delays, the project completion date was moved to June 2014.

#### *Brownfield Revolving Loan Fund*

In July 2010, the CDA entered into a loan and grant agreement with Nassau County and the EPA under which the CDA was awarded \$410,000 and the IDA was awarded \$590,000 for an aggregate of \$1 million (BF-98297603-1) The \$410,000 grant includes \$200,000 of grant and \$210,000 of loan. The loan and interest must be repaid by April 2020 or upon the sale of the Waterfront property. Interest accrues at 3% annually. Both, the interest and the loan have been classified as long term debt. The accrued interest for the years

ended December 31, 2013, and 2012 was \$6,300.

**NOTE 8. NOTE PAYABLE TO New York STATE RETIREMENT SYSTEM**

In 2004, per Ch. 260, Laws of 2004 of the State of New York, the CDA elected to amortize the Note (“Pension Note”) owed to the NYS Retirement System over a ten-year period. The future principal and interest payments on the note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$2,184	\$110	\$2,294

In 2012, due to additional billing from the New York State Employees’ Retirement System, the CDA issued an additional note in the amount of \$27,417. The repayment will begin in 2014 and will be for a 10 year period at 3% interest. The future principal and interest payments on the note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,392	823	3,215
2015	2,463	751	3,214
2016	2,537	677	3,214
2017	2,613	601	3,214
2018	2,692	522	3,214
2019-2023	14,415	1,352	15,167
Total	<u>\$27,112</u>	<u>4,726</u>	<u>31,838</u>

**NOTE 9. PENSION PLANS AND POST RETIREMENT BENEFITS**

**Description of Plan**

The Agency participates in the New York State and Local Employees’ Retirement System (ERS) and the Public Employees’ Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. The New York State Retirement and Social Security Law (NYSRSSL) governs obligations of employers

and employees to contribute and benefit employees. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrator. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and require supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

**Funding Policy.** The System is noncontributory except for employees who joined the ERS after July 27, 1976 and prior to January 1, 2010, who have less than ten years of service or membership, are required to contribute 3% of their salary throughout their active membership. Employees who joined on or after January 1, 2010 and before April 1, 2012 are required to contribute 3% throughout their active membership. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career. Under the authority of the NYSRSSL, the Comptroller annual certifies the actuarially determined rates expressed used in computing the employer’s contributions based on salaries paid during the Systems; fiscal year ended March 31. For the current and preceding years the Agency’s actual contributions were equal to 100% of the required contributions as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 99,121
2012	87,417
2011	87,449
2010	53,094

The CDA has adopted the Governmental Accounting Standards Board’s Statement No.

27, "Accounting for Pension Costs and Contributions by State and Local Governmental Employers." This statement established standards for the measurement, recognition, and display of pension expenses and related assets, liabilities, note disclosures, and supplementary information. Annual pension cost should be equal to annual required contributions to the pension plan, calculated in accordance with certain parameters.

**NOTE 10. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

The City of Glen Cove Community Development Agency’s retiree medical/drug and dental insurance plans are fully insured with a 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 were 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.

*Actuarial Methods and Assumptions*

The agency conducted an actuarial valuation as of January 1, 2013. An Actuarial Cost Method, used herein is referred to as the projected unit credit method. It develops an orderly allocation of the actuarial present value of benefit payments over the working lifetime of participants in the plan. The actuarial assumptions included: a funding interest rate of 5.0%; a 2013 Medical trend rate, which reflects cost inflation expected to impact the plan based on the forecast in published papers industry experts (actuaries, health economists, etc.) of 8.5%; 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 at December 31, 2013 is 25 years. No salary

scale assumptions were used because benefits are not dependent on participant compensation.

ANNUAL OPEB COST AND NET OPEB OBLIGATION FISCAL YEAR ENDING DECEMBER 31, 2013		
	Governmental Activities	Business Activities
1. Normal Cost	\$44,011	\$41,632
2. Amortization of Unfunded Actuarial Accrued Liability	42,066	39,792
3. Interest	<u>2,126</u>	<u>2,011</u>
4. Annual Required Contribution - ARC (1+2+3)	88,203	83,435
5. Interest on net OPEB Obligation	13,755	13,011
6. Adjustment to ARC	<u>(17,464)</u>	<u>(16,520)</u>
7. Annual OPEB Cost (Expense)	84,494	79,926
8. Less contributions made	<u>(33,715)</u>	<u>(31,892)</u>
9. Increase in net OPEB Obligation	50,779	48,034
10. Net OPEB Obligation-beginning of year	<u>275,096</u>	<u>260,226</u>
11. Net OPEB Obligation - end of year	<u>\$325,875</u>	<u>\$308,260</u>

Actuarial calculations of the OPEB plan reflect a long-term perspective. Actuarial valuations for OPEB plans involve estimates of value of reported amounts and assumptions about probability of events far into the future, and actuarially determined amounts are subject to continual revision as result are compared to past expectations and new estimates are made about future. The amortization of unfunded liabilities as a level dollar amount over 30 years was selected to comply with GASB 45 requirements for a Closed Group.

A separate, audited GAAP basis postemployment benefit plan is not available for the OPEB plan.

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

FUNDING STATUS AND FUNDING PROGRESS							
	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
		(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Governmental Activities	01/01/2013	\$-0-	\$692,958	\$(626,219)	0%	\$197,366	351%
Business Activity	01/01/2012	\$-0-	655,497	(592,369)	0%	180,387	363%

The following table presents the annual OPEB cost, Percentage of the cost contributed and the Net OPEB obligation for the last three years:

	2013	2012	2011
Annual OPEB Cost	\$164,420	\$184,669	\$184,669
Percent contributed	26%	27%	27%
Net OPEB obligation	\$634,135	\$535,322	\$405,459

#### NOTE 11. FEDERAL GRANTS AND CONCENTRATION OF RISK

The CDA receives financial assistance from the United States Department of Housing and Urban Development (HUD). The Community Development block grant funds pass through the County of Nassau Department of Housing and Intergovernmental Affairs. The Section 8 Housing Choice Voucher Program Funds are directly received from HUD. Both of these grants are subject to audit by the Federal Governments. Such audits may result in disallowances and a request for a return of funds to the Federal Governments. The agency is funded 100% by these two programs and any change in this funding may seriously affect its continued operations.

#### NOTE 12. LAND HELD FOR SALE AND RELATED AGREEMENTS

##### Settlement Agreement with the City of Glen Cove

In 1999, the United States Environmental Protection Agency (U.S. EPA) informed the City about its potential responsibility for the cost of remediation the contamination at two parcels of land; a 26-acre parcel known as the LI Tungsten property on Herhill Road; and a 23-acre parcel of land known as the Captain's Cove property. U.S. EPA'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.

According to the U.S. EPA regulations and as reflected in the agreements between the City, the CDA, and the IDA, the City is responsible for the payment of the remediation costs. In 2000, U.S. EPA responded favorably to the City's settlement proposal. The City had estimated its share of the liability for remediation to be approximately \$5 million. The initial remediation costs were financed by a loan from the Environmental Facilities Corporation (a New York State Agency.) In 2001, the City borrowed \$3,000,000 from the Environmental Facilities Corporation and paid the liability to the U.S. EPA. In 2003, the

City arrived at an agreement with U.S. EPA regarding limiting its maximum liability in cash to \$5 million, pending court approval, which was obtained in 2005. The City obtained the required additional \$2 million funding through the Environmental Facilities Corporation revolving loan program. This loan program has made money available to the City at no interest on short-term basis, and at very low interest rates.

### **Agreement Regarding Sales Proceeds**

In March 1999, the Glen Cove Industrial Development Agency and the United States Environmental Protection Agency - Region 2 entered into an agreement regarding the LI Tungsten Superfund and Captain's Cove sites. The Glen Cove Industrial Development Agency acquired these sites for commercial waterfront development.

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

Under the contract, IDA agreed:

- To expend in excess of \$9 million for economic revitalization of the sites and surrounding area.
- In exchange for the EPA covenant not to sue, the IDA paid the EPA \$100,000.
- Upon disposal of the sites, through sales or lease, the IDA will pay the following amounts to the EPA:
  - 50% of any amount of sales proceeds received in excess of \$9 million, up to \$12.2 million.
  - 40% of any amount received in excess of \$12.2 million, up to \$14.2 million, plus \$1.6 million.
  - 25% of the sales proceeds over \$14.2 plus \$2.4 million.
  - Not to sell the sites for less than \$13.4 million.

- Not to reduce the sales proceeds to account for any costs including remediation, brokerage, negotiating, redevelopment, and closing costs.

### **Sale of Waterfront Properties for Redevelopment**

In May 2003, the Industrial Development and Community Development Agencies ("the Agencies") entered into a sales agreement with Glen Isle Development Company, LLC ("Glen Isle"), for parcels of land on Glen Cove's waterfront, located at Garvies Point Road, Herbill Road, and Dickson Street for the purpose of redevelopment. The purchase included the Captain's Cove State Inactive Hazardous Waste Site and the LI Tungsten Federal Superfund Site.

Glen Isle delivered a letter of credit in the amount of \$1 million to be held as good faith escrow and to be returned with the interest earned on the escrow amount, within thirty days from the date of the issuance of a certificate of completion to the IDA.

The proposed development concept involves the construction of a branded hotel, with a maximum of 250 rooms, marina, conference center, catering and spa facilities, 100 associated residential units, a commercial and retail component of not greater than 250,000 square feet, a cultural entertainment park, and up to 350 residential units. In April 2005, the contract was amended and the development concept changed from 350 to 860 units. In consultation with the IDA, Glen Isle has developed a detailed and fully supported final Conceptual Site Plan (CSP) that has been approved by the Agencies. In October 2009 the Planning Board approved the Draft Environmental impact statement ("DEIS"). The Final Environmental Impact Statement, ("FEIS") was approved by the Planning Board on December 19, 2011. The FEIS can be viewed in its entirety on the Glen Cove IDA's website, [www.glencoveida.org](http://www.glencoveida.org), under Waterfront Plan. In October 2012, the Planning Board approved the Phase I Site

Plan for the waterfront property. The IDA is currently remediating the last contaminated parcel of land remaining in the Waterfront Revitalization Area.

The City is responsible for the construction of the road improvement project outside the property that conforms to customary design criteria for four-lane public thoroughfare. The City has applied for various grants to fund the offsite infrastructure costs.

Subject to various terms and covenants, the sales price to the developer was projected at \$20.5 million dollars. In April 2005, the contract was amended to increase the minimum purchase price from \$12.5 to \$25 million and the maximum of \$26 to \$32.5 million.

On June 29, 2012, Glen Cove Industrial Development Agency, Glen Cove Community Development Agency, And RXR Glen Isle Partners entered the fourth amendment to the Agreement and modified the purchase price of the waterfront property based on revised estimates of its market value. The parties agreed that the Redeveloper shall have the option to purchase the Property from the Agencies for not less than \$15,000,000 plus any excess over this amount, as determined by independent appraisal.

In October 2012, the waterfront property was appraised at \$12.7M and the redeveloper exercised its option. On December 6, 2012, the IDA and RXR-GI signed a letter of agreement on the Final Fair Market Value and agreed upon a 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.

Due to the lowered appraised value of the Waterfront property, the CDA forgave \$4,989,225 and \$2,437,807 of the amounts due from the IDA during 2012 and 2013, respectively. The reduction was to assist the IDA to improve its net position.

#### **Agreement with the City, IDA and CDA**

Upon the commencement of the Waterfront project in 1997, the managements of the CDA and City agreed to cooperate in the development of the Waterfront properties that belonged to IDA. The City agreed to assist in the construction of the required infrastructure and to provide necessary personnel and experts. The IDA agreed to reimburse the CDA for the Waterfront expenditures. The agreement was formalized on August 25, 2005, stipulating that the City should periodically compute and bill the IDA for these expenditures.

The Community Development Agency entered an agreement in December 2003, with the City and transferred certain lots, owned by the City and located on the Glen Cove Waterfront project site to the CDA. The lots are required to accommodate the construction of a roadway that is necessary for the Waterfront Revitalization Project. The appraised sale price of the lots was \$1,937,200. The CDA has paid the City \$1,300,000 and owes a balance of \$637,200 at December 31, 2013.

The Agency capitalizes the interest payments on development costs during the development of the waterfront properties.

**NOTE 13. OCCUPANCY COSTS**

To economize the CDA costs and facilitate communication between the City and CDA, the management of the CDA and the City agreed to relocate the CDA offices to the City headquarters at 9 Glen Street, Glen Cove. The City provides all the required space and utilities for the CDA. The City charges the CDA and IDA is \$9,120 annually, allocated \$6,080 to the CDA and Section 8 and \$3,040 to the IDA for the use of its facilities

**NOTE 14. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The Agency's General Fund makes periodic transfers to the Section 8 Program to cover its additional OPEB and Compensated Absence expenses. The amount transferred in 2013 and 2012 were \$120,978 and \$65,047, respectively.

**NOTE 15. DEFERRED INFLOWS**

As of December 31, 2013, the deferred inflows that represent non-current receivables were as follows:

The Industrial Development Agency	\$9,411,780
The City	<u>136,796</u>
Total	<u>\$9,548,576</u>

**NOTE 16. SUBSEQUENT EVENTS**

Management has evaluated all events subsequent to December 31, 2013, the date of the statement of net position, through March 31, 2014 the date these financial statements were available to be issued, and has determined that there are no subsequent events that require recording or disclosure.

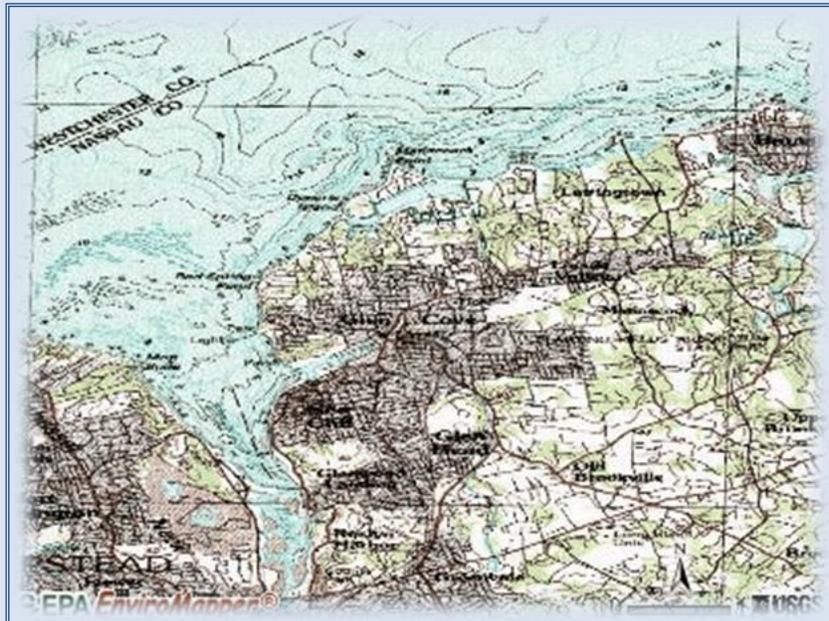
## OTHER SUPPLEMENTARY INFORMATION



**GLEN COVE COMMUNITY DEVELOPMENT AGENCY  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2013**

	<u>Adopted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
CDBG Grant	\$ 400,806	\$ 320,008	\$ 320,008	\$ -
Interest	100	-	-	-
Program Income-IDA	629,035	103,243	104,353	1,110
Total revenues	<u>1,029,941</u>	<u>423,251</u>	<u>424,361</u>	<u>1,110</u>
<b>Expenditures</b>				
<b>Current</b>				
Waterfront and other development	240,772	295,872	272,137	23,735
Culture and Recreation-Public Service	40,920	35,000	35,000	-
Salaries and benefits	92,973	90,594	90,594	-
Audit services	7,450	7,200	7,200	-
Administrative expense	16,498	6,030	6,030	-
Payment to City for EFC reduction	500,000	-	-	-
Total current expenditures	<u>898,613</u>	<u>434,696</u>	<u>410,961</u>	<u>23,735</u>
<b>Capital Outlay</b>				
<b>Debt service:</b>				
Principal	1,886	4,472	956	3,516
Interest	407	1,010	1,010	-
Total expenditures	<u>900,906</u>	<u>440,178</u>	<u>412,927</u>	<u>27,251</u>
Excess (deficiency) of revenues over expenditures	<u>129,035</u>	<u>(16,927)</u>	<u>11,434</u>	<u>28,361</u>
<b>Other Sources and uses</b>				
Proceeds of Section 108 Loan	-	36,272	36,272	-
Loan from the City	-	8,247	8,247	-
Transfer to IDA/Section 8	-	(1,571,561)	(120,978)	1,450,583
Total other sources (Uses)	<u>-</u>	<u>(1,527,042)</u>	<u>(76,454)</u>	<u>1,450,583</u>
Net change in fund balance	129,035	(1,543,969)	(65,025)	1,478,944
Fund balance - beginning	1,059,417	1,059,417	1,059,417	-
Fund balance -ending	<u>\$ 1,188,452</u>	<u>\$ (484,552)</u>	<u>\$ 994,392</u>	<u>\$ 1,478,944</u>

# COMPLIANCE SECTION



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors and Members  
Glen Cove Community 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 Community Development Agency (CDA), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the CDA's basic financial statements, and have issued our report thereon dated March 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CDA'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 CDA's internal control. Accordingly, we do not express an opinion on the effectiveness of the CDA'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 CDA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Toski & Co., CPAs, P.C.

Williamsville, New York  
March 31, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133

Board of Directors and Members  
Glen Cove Community Development Agency  
Glen Cove, New York

Report on Compliance for Each Major Federal Program

We have audited Glen Cove Community Development Agency's (CDA) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of CDA's major federal programs for the year ended December 31, 2013. CDA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of CDA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CDA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### Opinion on Each Major Federal Program

In our opinion, CDA, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

### Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Toski & Co., CPAs, P.C.

Williamsville, New York  
March 31, 2014

**GLEN COVE COMMUNITY DEVELOPMENT AGENCY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2013**

<u>Agency and Program Grant Title</u>	<u>Federal CFDA Number</u>	<u>Nassau County Consortium Number</u>	<u>Federal Expenditures</u>
<b>Department of Housing and Urban Development</b>			
Section 8 Housing Choice Voucher Program <b>Passed through Nassau County Consortium</b>	14.871	N/A	\$4,411,796
Community Development:			
Block Grant/Entitlement Grants	14.218	CQHI10000045	320,008
Block Grant/ Section 108 Loan Guarantee	14.248	CQHI0800021	<u>36,272</u>
 Total Federal Awards			 <u><u>\$4,768,076</u></u>

See accompanying notes to schedule of expenditures of federal awards.

**THE GLEN COVE COMMUNITY DEVELOPMENT AGENCY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2013**

**NOTE 1: PURPOSE OF THE SCHEDULE**

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

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

- A. Reporting Entity** - The accompanying schedule includes all federal financial assistance programs administered by Glen Cove Community Development Agency for the fiscal year ended December 31, 2013.
- B. Basis of Presentation** - The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133.
- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133, federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.
  - 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and OMB Circular A- 133 establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Glen Cove Community Development Agency are those which equal or exceeded \$300,000 in expenditures / disbursements / issuances for the fiscal year ended December 31, 2013. Type B programs for the Agency are those which are less than \$300,000 in expenditures / disbursements / issuances for the fiscal year ended December 31, 2013
- C. Basis of Accounting** - The information presented in the Schedule of Expenditures of Federal Awards ("the Schedule") is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organizations.

**GLEN COVE COMMUNITY DEVELOPMENT AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2013**

**I. Summary of Auditors' Results**

**A. Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None reported
- Noncompliance that is material to the financial statements noted?  Yes  No

**B. Federal Awards**

Internal control over major programs:

- Material weaknesses identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None reported

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

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?  Yes  No

Identification of Major Programs:

Name of Federal Program	CFDA number
▪ Section 8 Rental Voucher Program	14.871
▪ Block Grant/Entitlement Grants	14.218

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

Auditee qualified as low-risk auditee under Section 530 of OMB Circular A-133:  Yes  No

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

**A. Internal Control**

None reported

**B. Compliance Findings**

None reported

**III Findings and Questioned Costs for Federal Awards**

**A. Internal Control**

None reported

**B. Compliance Findings**

None reported



**GLEN COVE COMMUNITY DEVELOPMENT AGENCY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2013**

The audit report for the year ended December 31, 2012, contained no findings or questioned costs.