

Report On Audit

**TOWN OF ISLIP COMMUNITY
DEVELOPMENT AGENCY**

**For the Year Ended
June 30, 2013**

Town of Islip Community Development Agency
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Town of Islip Community Development Agency

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Hymanson, Parnes & Giampaolo

Certified Public Accountants

tele: 732-842-4550

467 Middletown-Lincroft Rd.

fax: 732-842-4551

Lincroft, NJ 07738

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Town of Islip Community Development Agency

Report on the Financial Statements

We have audited the accompanying financial statements of the Town of Islip Community Development Agency (a governmental public benefit corporation) in Islip, New York, a component unit of the Town of Islip, hereafter referred to as the Agency, which comprise the statement of net position as of June 30, 2013 and 2012, and the related statement of revenue, expenses and changes in net position, statement of cash flows for the years then ended, and the related notes to the financial statements. The financial statement of Town of Islip Community Development Agency, as of June 30, 2012, was audited by other auditors whose report dated February 25, 2013 expressed an unmodified opinion on those statements

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 Town of Islip Community Development Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Islip Community Development Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Town of Islip Community Development Agency as of June 30, 2013 and 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year's 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 additional information on pages 4 through 21 and pages 63-70 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued reports dated February 27, 2014 on our consideration of the Town of Islip Community Development Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: February 27, 2014

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

INTRODUCTION

As management of the Town of Islip (the Town) Community Development Agency (the Agency), we offer readers of the Agency's basic financial statements this narrative analysis of the Agency's financial performance and financial activities for the fiscal years ended June 30, 2013 and 2012.

This discussion and analysis includes comparative data for the fiscal years ended June 30, 2013 and 2012. Fiscal year 2013 is the tenth year of implementation of Governmental Accounting Standard Board (GASB) Statement No. 34 - "Basic Financial Statements - Management's Discussion and Analysis." GASB No. 34 established new reporting requirements for state and local governments. The new reporting requirements include a more comprehensive disclosure of information and a restructured presentation of the financial statements than previous fiscal years.

We encourage readers to consider the information presented here in conjunction with additional information obtainable from the Agency's basic financial statements.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Agency's financial activities and position are expressed in three parts: management's discussion and analysis (this section), the basic financial statements, and supplementary information.

The basic financial statements include government-wide financial statements, fund financial statements, and notes that provide more detailed information to supplement the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to present a broad overview of the financial position of the Agency in a manner analogous to a private-sector business. These statements consist of the statements of net position and the statements of revenue, expenses and changes in net position 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 of the current year's revenue 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 statements of net position consolidate the reporting of the Agency's current financial resources with reporting of capital assets and long-term obligations and thus summarizes all of the Agency's assets and liabilities. Net position is the difference between the Agency's assets and liabilities; it is one measure of if the Agency's financial position is improving or deteriorating. In evaluating the net position of the Agency, other non-financial factors affecting the Agency's overall health and financial condition should be considered, such as changes in demographics and the local economic conditions. The statements of revenue, expenses and changes in net position present the change in net position of the Agency during the most recent fiscal year.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS - CONTINUED

All of the current year's revenue and expenses are recognized as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid. Some of the reported revenue and expenses will have corresponding cash flows in future fiscal periods (e.g. uncollected receivables and earned but not used vacation leave). The statements of activities focus on both the gross and net cost of various activities; the Agency's interest income and other revenue pays these costs. These statements summarize the cost of providing (or the subsidy provided by) specific government services and include all revenue and expenses.

In the statements of net position and the statements of revenue, expenses and changes in net position, the Agency has only one kind of activity for reporting purposes: governmental activities. The Agency's basic services are reported, including general government, residential rehabilitation, commercial rehabilitation, public service programs, public facilities improvement and code enforcement. Federal aid and charges for services finance most of these activities.

The government-wide financial statements are presented on pages 22 through 25 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial statements present financial information in a form familiar to experienced users of governmental financial statements. These statements present significant funds separately; each statement does not reflect the Agency as a whole. Some funds are required by state law to be established by the Agency, while other funds are established to help the Agency control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain grants and other money. Readers are encouraged to read these statements for detailed information about the Agency's most significant activities.

Governmental Funds

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.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS - CONTINUED

The governmental fund statements provide a detailed short-term view of the Agency's general governmental operations and the basic services it provides. This information will reflect the resources that are available for the Agency's programs.

The reconciliations following the fund financial statements explain the differences between the Agency's activities, reported in the government-wide statements of net position and statement of revenue, expenses and changes in net position, and the governmental funds.

The Agency maintains ten individual governmental funds: the General Fund; Community Development Block Grant (CDBG) Fund; Home Investment Partnership Program (HOME) Fund; Housing Opportunities for Persons with AIDS (HOPWA) Fund; Emergency Solutions Grant Program (ESG) Fund; Neighborhood Stabilization Programs (NSP and NSP3) Fund; Homelessness Prevention and Rapid Rehousing Program (HPRP) Fund; Long Island Green Homes in Islip (LIGH) Fund; and Energy Efficiency and Conservation Block Grant (EECBG).

Information for each fund is presented separately in the governmental funds statement of net position and statements of revenue, expenditures and changes in net position.

The Government fund financial statements are presented on pages 26 through 31 of this report.

FINANCIAL HIGHLIGHTS

The following list encapsulates significant elements of the Agency's Government - Wide financial performance for the fiscal years June 30, 2013 and 2012.

Net position of the Agency's Government -Wide financial statement of net position was \$28,897,210 greater than the liabilities, an increase in the financial position of \$2,230,481 or 8% percent.

As noted above, the net position of the Agency exceeded its liabilities by \$28,897,210 as of June 30, 2013. Of this amount, the unrestricted net position is \$1,328,682 representing a decrease of \$16,834 or 1% percent from the previous year. The net investment in capital assets decreased \$125,772 or 5% percent for an ending balance of \$2,172,538. The restricted net position increased \$2,373,087 from the previous year for an ending balance of \$25,395,990.

The Agency's cash, and cash equivalent at June 30, 2013 is \$3,467,768 representing an increase of \$244,272 or 8% percent from the prior fiscal year.

The Agency's total assets are \$31,802,286 of which capital assets net book value is \$2,172,538, other noncurrent assets in the amount of \$24,340,363, leaving total current assets at \$5,289,385. Total current assets decreased from the previous year by \$168,871 or 3% percent.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

FINANCIAL HIGHLIGHTS - CONTINUED

Cash and cash equivalents increased by \$244,272, restricted cash increased \$3,650, prepaid expenses decreased by \$12,050, due from related parties decreased by \$115,390, loans and mortgages receivable current decreased by \$301,240, and grants receivables increased by \$11,887

The Agency's experienced an increase in assets held for sale by \$1,488,732 or 16% percent for an ending balance of \$10,580,369, and an increase in loans and mortgages receivable noncurrent in the amount of \$1,112,779 or 9% percent for an ending balance of \$13,759,994. These accounts were funded under federal aid programs. Additional information on the Agency's assets held for sale as of June 30, 2013 can be found in Note 10 to the financial statements, which is included in this report.

The Agency's total liabilities are reported at \$2,905,076, of which noncurrent liabilities are stated at \$1,735,979. Total liabilities increased during the year as compared to the prior year in the amount of \$76,387, or 3% percent. Total current liabilities increased during the year by \$17,474, leaving non-current liabilities for an increase of \$58,913 as compared to the previous year.

Total current liabilities increased from the previous year by \$17,474 or 2% percent. Accounts payables decreased by \$14,382, pension plan payable increased by \$1,062, client escrow accounts payable increased by \$3,650, accrued interest payable increased by \$15,772, payable due to an related parties decreased by \$4,016, accrued compensated absences current portioned increased by \$5,388, and the current portion of long term debt increased by \$10,000.

Total noncurrent liabilities increased by \$58,913 or 4% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$508,150, with no offsetting assets, increased \$9,103 from the previous year. Long-term debt (capital bonds) decreased \$140,000 for an ending balance of \$660,000, and accrued other post-employment benefits (OPEB) liabilities increased \$189,810 or 50% percent. Additional information on the Agency's accrued OPEB liabilities as of June 30, 2013 can be found in Note 13 to the financial statements, which is included in this report.

The Agency had total operating revenue of \$8,209,145 as compared to \$8,657,990 from the prior year for a decrease of \$448,845 or 5% percent. The Agency had total operating expenses of \$6,839,146 as compared to \$7,167,163 from the previous year for a decrease of \$328,017 or 5% percent, resulting in excess of revenue from operations in the amount of \$1,369,999 for the current year as compared to excess revenue from operations in the amount of \$1,490,827 for 2012 year for a decrease in expenses over revenue of \$120,828 or 8% percent from the previous year.

The Agency had capital outlays in the amount of \$7,525 for the fiscal year. These expenditures were funded from Community Development Block Grant funds. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 9 Fixed Assets.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

FINANCIAL HIGHLIGHTS - CONTINUED

The Agency's Expenditures of Federal Awards amounted to \$6,054,488 for the fiscal year 2013 as compared to \$7,582,255 for the previous fiscal year 2012 for a decrease of \$1,527,767 or 20% percent. For 2013 due to budget cuts once again by Congress, HUD prorated the Agency funding. The Agency saw a reduction in several federal programs, the CDBG had a reduction of funding in the amount of \$1,258,680, Emergency Solutions Grant had a reduction of funding in the amount of \$67,666, HOME had \$1,670,527 in funding cuts, HOPWA had reduced funding of \$392,729, and the Homeless Prevention and Rapid Re-Housing Program ended in year 2012.

USING THIS ANNUAL REPORT

This annual report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include a series of financial statements. The Statement of Net Position (on pages 23-24) and the Statement of Revenue, Expenses and Changes in Net Position (on pages 25-26) provide information about the activities of the Agency's as a whole and present a longer-term view of the Agency's finances. The governmental fund financial statements start on page 27. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Agency's operations in more detail than the government-wide statements by providing information about the Agency's most significant funds.

Statement of Net Position – This statement presents information on the Agency's total of assets and deferred outflow of resources, and total of liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position will serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

Statement of Revenue, Expenses and Changes in Net Position – This statement presents information showing how the Agency's net position increased or decreased during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash inflows and cash outflows in the future periods.

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Agency and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Agency may face. The Notes to Financial Statements can be found in this Report beginning on page 32 through 62.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

USING THIS ANNUAL REPORT -CONTINUED

In addition to the basic financial statements listed above, our report includes supplemental information. This information is to provide more detail on the Agency's various programs and the required information mandated by regulatory bodies that fund the Agency's various programs.

The Agency's annual report consists of financial statements that show combined information about the Agency's most significant programs:

1. Governmental Fund Programs
2. Community Development Block Grant (CDBG) Programs
3. Other Governmental Programs

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on pages 71 and 72 of this report.

- 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 Town of Islip Community Development Agency are those which equal or exceeded \$300,000 in expenditures for the fiscal year ended June 30, 2013. Type B programs for the Town of Islip Community Development Agency are those which are less than \$300,000 in expenditures for the fiscal year ended June 30, 2013.

The Town of Islip Community Development Agency's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE AGENCY (GOVERNMENT WIDE)

The following summarizes the computation of Government – Wide Net Position between June 30, 2013 and June 30, 2012:

Computations of Net Position are as follows:

	<u>Year Ended</u>		Increase
	June-13	June-12	(Decrease)
Cash	\$ 3,467,768	\$ 3,223,496	\$ 244,272
Other Current Assets	1,821,617	2,234,760	(413,143)
Capital Assets - Net	2,172,538	2,298,310	(125,772)
Other Assets	24,340,363	21,738,852	2,601,511
Total Assets	31,802,286	29,495,418	2,306,868
Less: Current Liabilities	(1,169,097)	(1,151,623)	(17,474)
Less: Non Current Liabilities	(1,735,979)	(1,677,066)	(58,913)
Total Net Position	<u>\$28,897,210</u>	<u>\$26,666,729</u>	<u>\$ 2,230,481</u>
Net Investment in Capital Assets	\$ 2,172,538	\$ 2,298,310	\$ (125,772)
Restricted Net Position	25,395,990	23,022,903	2,373,087
Unrestricted Net Position	1,328,682	1,345,516	(16,834)
Total Net Position	<u>\$28,897,210</u>	<u>\$26,666,729</u>	<u>\$ 2,230,481</u>

Cash increased by \$244,272 or 8% percent. Net cash provided by operating activities was \$2,352,760, net cash used for capital and related financing activities was \$754,879, and net cash used by investing activities was \$1,353,609.

Other current assets decreased \$413,143. Restricted cash increased \$3,650, prepaid expenses decreased by \$12,050, due from related parties decreased by \$115,390, loans and mortgages receivable current decreased by \$301,240, and grants receivables increased by \$11,887.

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$125,772 or 5% percent. The major factor that contributed for the decrease was the purchase of a new phone system in the amount of \$7,525, less the recording of depreciation expense in the amount of \$133,297. The Agency has no indebtedness related to its capital assets. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 9 Fixed Assets.

The Agency reported an increase in other assets in the amount of \$2,601,511 or 12% percent. The amount consisted of two accounts, assets held for sale and loans and mortgages noncurrent.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE AGENCY (GOVERNMENT WIDE) - CONTINUED

The Agency's experienced an increase in assets held for sale by \$1,488,732 or 16% percent for an ending balance of \$10,580,369, and an increase in loans and mortgages receivable noncurrent in the amount of \$1,112,779 or 9% percent for an ending balance of \$13,759,994. These accounts were funded under federal aid programs.

Total current liabilities increased from the previous year by \$17,474 or 2% percent. Accounts payables decreased by \$14,382, pension plan payable increased by \$1,062, client escrow accounts payable increased by \$3,650, accrued interest payable increased by \$15,772, payable due to an related parties decreased by \$4,016, accrued compensated absences current portioned increased by \$5,388, and the current portion of long term debt increased by \$10,000.

Total noncurrent liabilities increased by \$58,913 or 4% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$508,150, with no offsetting assets, increased \$9,103 from the previous year. Long-term debt (capital bonds) decreased \$140,000 for an ending balance of \$660,000, and accrued other post-employment benefits (OPEB) liabilities increased \$189,810 or 50% percent. Additional information on the Agency's accrued OPEB liabilities as of June 30, 2013 can be found in Note 13 to the financial statements, which is included in this report.

The Agency's reported net position of \$28,897,210 is made up of three categories. The net investment in capital assets in the amount of \$2,172,538 represents 8% percent of the total account balance. The net investment in capital assets (e.g., land, buildings, and equipment; less any related debt used to acquire those assets that are still outstanding. The Agency uses these capital assets to provide multiple services to residents in the community; consequently, these assets are not available for future spending.

The schedule below reflects the activity in the net investment in capital assets for the current fiscal year:

Balance June 30, 2012	\$ 2,298,310
Acquisition in Fixed Assets	7,525
Depreciation Expense	(133,297)
Balance June 30, 2013	\$ 2,172,538

The Town of Islip Community Development Agency operating results for June 30, 2013 reported a decrease in unrestricted net position of \$16,834 or 1% percent for an ending balance of \$1,328,682. The Agency reported restricted net position in the amount of \$25,395,990 which increased \$2,373,087 or 10% percent compared to the prior fiscal year.

At the end of the current year, the Agency is able to report positive balances in the three categories of net position. The same situation held true for the prior year.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE AGENCY (GOVERNMENT WIDE) - CONTINUED

The following summarizes the Government – Wide changes in Net Position between June 30, 2013 and June 30, 2012:

Computation of Changes in Net Position are as follows:

	<u>Year Ended</u>		Increase
	June-13	June-12	(Decrease)
<u>Revenues</u>			
Charges for Services	\$ 2,169,126	\$ 1,075,735	\$ 1,093,391
Operating Grants and Contributions	6,054,488	7,582,255	(1,527,767)
Interest Income	3,947	6,615	(2,668)
Total Operating Income	<u>8,227,561</u>	<u>8,664,605</u>	<u>(437,044)</u>
<u>Expenses</u>			
Home and Community Functions:			
Residential Rehabilitation	5,849,916	5,884,643	(34,727)
Commercial Rehabilitation	46,181	120,970	(74,789)
Public Service Programs	262,160	357,843	(95,683)
Public Facilities Improvement	6,940	50,000	(43,060)
Code Enforcement	81,978	76,527	5,451
General and Administration	591,972	677,180	(85,208)
Total Operating Expenses	<u>6,839,147</u>	<u>7,167,163</u>	<u>(328,016)</u>
Excess Revenue over Expenses	1,388,414	1,497,442	(109,028)
Impairment Recovery (Loss)	842,067	(490,000)	1,332,067
Change in Net Position	2,230,481	1,007,442	1,223,039
Net Position Prior Year	26,666,729	25,659,287	1,007,442
Total Net Position	<u>\$28,897,210</u>	<u>\$26,666,729</u>	<u>\$ 2,230,481</u>

Approximately 73% percent of the Agency's total revenue was provided by operating grants and contributions, while charges for services provided for 26% percent and interest income provide 1% of the operating income.

The Agency home and community function operating expenses cover a range of expenses. The largest expense was for residential rehabilitation representing 85% percent of total operating expenses. Commercial rehabilitation accounted for 1% percent, public service programs accounted 3% percent, public facilities improvements accounted for less than 1% percent, code enforcement accounted for 1% percent, and general and administration expense accounted for remaining 9% percent.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE AGENCY (GOVERNMENT WIDE) - CONTINUED

The Agency operating revenue exceeded its operating expenses resulting in an increase of revenue from operations in the amount of \$1,388,414 from operations as compared to excess revenue over expenses from operations of \$1,497,442 for the previous year. The key element for the decrease in operating income in comparison to the prior year is as follow:

- The Agency experienced a decrease in federal financial aid in the amount of \$1,527,767, or 20% percent, due to cutbacks by Congress.
- The Agency experienced an increase in charges for services in the amount of \$1,078,922, or 100% percent, due to receipts from loans and mortgages and assets held for sale.
- The Agency experienced a decrease in Administrative expenses decreased \$85,208 or 13%.

Total net cash provided by operating activities during the year was \$2,352,760 as compared to \$1,100,545 for an increase of \$1,252,215. Overall the Agency reported a decrease in unrestricted net position of \$16,834 or a decrease less than 1% percent for an ending balance of \$1,328,682.

THE AGENCY AS A WHOLE

The Agency was organized in 1976 as a public benefit corporation under the Urban Renewal Law. The Agency is the successor to the Town of Islip Urban Renewal Agency, which was established in 1974. The Urban Renewal Law grants the Agency broad community development and urban renewal powers, including the ability to issue negotiable bonds and notes to achieve its corporate purposes. The Agency does not have the power to levy taxes or impose assessments or charges against real property.

The Board of Directors of the Agency is composed of a chairman and four directors who are appointed by the Town of Islip Town Board and serve five-year terms. The Executive Director of the Agency is the Chief Executive Officers and is appointed by the Agency's Board.

In July 1990, the Agency issued its \$21,080,000 Community Development Revenue Bonds, 1990 (College Woods Project), dated July 1, 1990, and bearing interest at the rate of 6.9% per annum. The proceeds were used to create a revolving account which was drawn upon to pay costs of acquisition of real property in the area of the Town heretofore known as Carleton Park, demolition of substandard structures thereon, construction, reconstruction and installation of necessary infrastructure, for sale to individuals and families of low and moderate incomes. These bonds matured on July 1, 1994 and were paid off with proceeds from the sales of the underlying homes. All of the anticipated real property acquisition, demolition and infrastructure construction or reconstruction has been completed. A total of 382 homes have been completed and sold.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

THE AGENCY AS A WHOLE - CONTINUED

The Town has assisted Touro College in purchasing the underutilized Bay Shore Mini-Center from Suffolk County and adapting the building for use as the Barry Z. Levine School of Health Sciences. Title for the property was transferred from Suffolk County to the Town and then immediately to Touro College. The Town contributed financing to Touro College in the form of a \$1,000,000 Economic Development Initiative Grant and a \$2,000,000 Section 108 Guaranteed Loan from the Department of Housing and Urban Development (HUD). This money was used to pay for the purchase of the property and for a portion of the site improvements. Touro College spent over \$3,000,000 in private funds for building renovations, additional site improvements, furnishings and moving expenses. Classes began at the end of January 1999.

In 2002, the South Wind Village Affordable Housing Project was completed in Bay Shore. This \$15,000,000 project was a joint venture with the Agency, the Long Island Housing Partnership (a 501 (c)(3) not-for-profit corporation) and the town of Islip Housing Authority. In total, 78 new units of affordable housing were developed, including 52 townhouses for first-time homebuyers, 10 affordable family rental townhouses, and 16 senior citizens garden apartments. The Agency was principally responsible for site acquisition and relocation, while the Long Island Housing Partnership was responsible for design, marketing and construction. The Housing Authority provided substantial financing and owns and manages all of the 26 rental units. South Wind Village is considered a good example of "smart growth" due to its reuse of blighted property and proximity to the business district and mass transit.

Construction has been completed on more than 40 units of affordable housing for first time homebuyers constructed by the Long Island Housing Partnership, and Habitat for Humanity of Suffolk. The Agency arranged for the conveyance of the properties to the non-profit sponsors without cost, and will provide subsidies to further assist in keeping the housing affordable. The Town further assists by waiving development fees. In addition, the Agency acquires about seven severely blighted and/or foreclosed houses in the Town each year which are fully renovated and offered for sale to income eligible individuals/families selected by the lottery.

The Agency has on-going projects to assist approximately 15 low and moderate income homeowners annually in rehabilitating their homes, providing handicap access and removing lead hazards. Several non-profit housing providers are also supported in their efforts to increase the supply of affordable permanent rental housing. A portion of the funds from HUD entitlement grants is earmarked for this purpose.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

**THE TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
PROGRAMS**

Community Development Block Grant - CDBG

Community Development activities include many different programs that provide assistance to a wide variety of grantees. One program, the Community Development Block Grant (CDBG) program provides annual grants on a formula basis to entitled cities, urban counties and states to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons.

The HOME Investment Partnerships Program (HOME)

The HOME Investment Partnerships Program (HOME) provides formula grants to States and localities that communities use - often in partnership with local nonprofit groups - to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people. HOME is the largest Federal block grant to state and local governments designed exclusively to create affordable housing for low-income households. HOME funds are awarded annually as formula grants to participating jurisdictions (PJs). The program's flexibility allows States and local governments to use HOME funds for grants, direct loans, loan guarantees or other forms of credit enhancements, or rental assistance or security deposits.

Emergency Solution Grant - (ESG) Program

Recipients which are state governments, large cities, urban counties, and U.S. territories, receive ESG grants and make these funds available to eligible sub recipients, which can be either local government agencies or private nonprofit organizations. The recipient agencies and organizations, which actually run the homeless assistance projects, apply for ESG funds to the governmental grantee, and not directly to HUD. Sub recipients that want to operate the homeless assistance and/or homelessness prevention projects must apply for ESG funds to the governmental recipient, and not directly to HUD.

ESG funds are available for five program components: street outreach, emergency shelter, homelessness prevention, rapid re-housing assistance, and data collection through the Homeless Management Information System or HMIS. Recipients also receive administration funds with a statutory cap of 7.5 percent. Local government recipients may carry out all ESG activities directly, whereas state recipients may only carry out activities related to administrative costs and HMIS.

The Housing Opportunities for Persons With AIDS (HOPWA)

The Housing Opportunities for Persons With AIDS (HOPWA) Program is the only Federal program dedicated to the housing needs of people living with HIV/AIDS. Under the HOPWA Program, HUD makes grants to local communities, States, and nonprofit organizations for projects that benefit low-income persons living with HIV/AIDS and their families.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

**THE TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
PROGRAMS - CONTINUED**

Neighborhood Stabilization Program Grants

The Neighborhood Stabilization Program (NSP) was established for the purpose of stabilizing communities that have suffered from foreclosures and abandonment. Through the purchase and redevelopment of foreclosed and abandoned homes and residential properties, the goal of the program is being realized.

NSP1, a term that references the NSP funds authorized under Division B, Title III of the Housing and Economic Recovery Act (HERA) of 2008, provides grants to all states and selected local governments on a formula basis.

NSP3, a term that references the NSP funds authorized under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) of 2010, provides a third round of neighborhood stabilization grants to all states and select governments on a formula basis.

Homeless Prevention and Rapid Re-Housing Program

The Homelessness Prevention and Rapid Re-Housing Program will provide financial assistance and services to prevent individuals and families from becoming homeless and help those who are experiencing homelessness to be quickly re-housed and stabilized. The funds under this program are intended to target individuals and families who would be homeless but for this assistance. The funds will provide for a variety of assistance, including: short-term or medium-term rental assistance and housing relocation and stabilization services, including such activities as mediation, credit counseling, security or utility deposits, utility payments, moving cost assistance, and case management.

Long Island Green Homes Islip

The Town of Islip has joined efforts with the New York State Energy Research and Development Authority (NYSERDA) and Long Island Power Authority (LIPA) to help its residents take advantage of low-interest loans and cash back incentives for energy improvements through the Home Performance with ENERGY STAR® program. Most homeowners qualify for a free or reduced cost comprehensive home assessment, also referred to as an energy audit, through this program.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

**THE TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
PROGRAMS - CONTINUED**

Energy Efficiency and Conservation Block Grant Program

The Energy Efficiency and Conservation Block Grant (EECBG) Program, funded for the first time by the American Recovery and Reinvestment Act (Recovery Act) of 2009, represents a Presidential priority to deploy the cheapest, cleanest, and most reliable energy technologies we have—energy efficiency and conservation—across the country. The Program, authorized in Title V, Subtitle E of the Energy Independence and Security Act (EISA) and signed into law on December 19, 2007, is modeled after the Community Development Block Grant program administered by the Department of Energy. It is intended to assist U.S. cities, counties, states, territories, and Indian tribes to develop, promote, implement, and manage energy efficiency and conservation projects and programs designed to:

1. Reduce fossil fuel emissions;
2. Reduce the total energy use of the eligible entities;
3. Improve energy efficiency in the transportation, building, and other appropriate sectors; and
4. Create and retain jobs.

NEW INITIATIVES

For the fiscal year 2013 the Agency's primary focus has been on funding and accountability. As a public entity that derives approximately 74% percent of its revenue from the Department of Housing and Urban Development, (2012 was 88% percent), the Agency is constantly monitoring for any appropriation changes especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

The current administration of the Agency is determined to improve the financial results of the Agency's operations. The Agency has made steady progress in various phases of our operations. Interactions with the residents in the community are a constant reminder of the need of the services. Regardless of the constraints (financial or regulatory) placed on this Agency, the Agency will continuously look for ways to better provide service to the residents in the community all the while being mindful of their responsibility to be good stewards of the public's tax dollars.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Agency's investment in capital assets as of June 30, 2013 was \$2,172,538 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and equipment. The total decrease during the year in the Agency's investment in capital assets was \$125,772 or 5% percent. Capital expenditures of \$7,525 were made during the year. The capital assets events during the fiscal year included the following:

- Replacement of Office Telephone System

	June-13	June-12	Increase (Decrease)
Land	\$ 524,983	\$ 524,983	\$ -
Building	3,701,838	3,701,838	-
Furniture, Equipment - Administration	128,387	129,478	(1,091)
Total Fixed Assets	4,355,208	4,356,299	(1,091)
Accumulated Depreciation	(2,182,670)	(2,057,989)	(124,681)
Net Book Value	\$ 2,172,538	\$ 2,298,310	\$ (125,772)

Additional information on the Agency's capital assets can be found in Note - 9 to the financial statements, which is included in this report.

2 - Debt Administration

The Agency issues general obligation bonds. The Agency may contract indebtedness only for Agency purposes and pledges its full faith and credit for the payment of principal and interest. Moody's Investor Service gives the Agency's general obligation bond issues a rating of Aa1.

The New York State Constitution limits the power of the Agency to issue obligations and to otherwise contract indebtedness. Such constitutional limitation, in summary form, as generally applicable to the Agency, includes the following:

Purpose and Pledge - Subject to certain enumerated exceptions, the Agency shall not give or loan any money or property to, or in aid of, any individual or private corporation or private undertaking or give or loan its credit to, or in aid of, any of the foregoing or any public corporation. The Agency may contract indebtedness only for Agency purposes and shall pledge its full faith and credit for the payment of principal and interest thereon.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED

2 - Debt Administration - Continued

Payment and Maturity - Except for certain short-term indebtedness to be paid within three fiscal year periods, indebtedness will be paid in annual installments commencing no later than two years after the date such indebtedness has been contracted and ending no later than the expiration of the period of probable usefulness of the object of purpose as determined by statute; no installment may be more than 50% in excess of the smallest prior installment unless the Agency authorized the issuance of bonds with substantial level or declining debt service. The Agency is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness, for the amount required in such year for amortization and redemption of its general obligation bonds, and for such required annual installments on its notes.

The Long-term debt has decreased by \$130,000 to an amount outstanding of \$800,000 for June 30, 2013 and the amount outstanding of \$930,000 for 2012.

Additional information on the Agency's long-term debt can be found in Note 12 to the financial statements, which is included in this report.

ECONOMIC FACTORS AND NEXT YEAR'S PLAN'S

The Agency is primarily dependent upon HUD for the funding of operations; therefore, the Agency is affected more by Federal budget than by local economic conditions. The need for Congress to fund the war on terrorism and other impending military activities, and the impact these activities may have on federal funds available for funding federal aid and grants.

Federal appropriation levels, particularly funding for the CDGB Program, continues to have a major impact on the Agency's economic position. The Agency received \$3,246,256 in federal aid for the fiscal year ended June 30, 2013. This federal funding represents a significant portion of total revenue. Federal revenue is anticipated to decrease in the next budget period. However, as the Agency's fiscal year runs over two federal years, it is difficult to anticipate what total federal funding will be. Should federal funding be less than anticipated, it may have a negative impact on the Agency's operation.

The Agency's unrestricted net position appears sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants

The following factors were considered in preparing the Agency's budget for the fiscal year ending June 30, 2014.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

ECONOMIC FACTORS AND NEXT YEAR'S PLAN'S – CONTINUED

- According to the Empire Justice Center, Suffolk County had the largest number of subprime foreclosures, subprime loans 30 or more days delinquent, and subprime loans that were scheduled to reset by October 1, 2009 in all of New York State. This is expected to get worse, especially since Suffolk County, along with Nassau County, were the only counties in New York State that were identified as "distressed" or "severely distressed" by Wells Fargo. The high cost of housing of Long Island has forced many families of modest means to "over extend" themselves in order to have any chance of purchasing a home. HUD provided data on estimated foreclosure rates and calculated an estimated foreclosure risk score for the Census Block Groups in the Town of Islip. Their estimated foreclosure rate for the Town of Islip was 5.2%.
- Of the 72 Census Tracts in the Town of Islip, there were 23 Census Tracts with foreclosure rates in excess of 1- times the Town of Islip average ($4.6 \times 1.5 = 6.9\%$). Of the 16 hamlets and 4 villages that comprise the Town of Islip, all of these 23 Census Tracts were in three hamlets: Bay Shore, Brentwood and Central Islip.
- There were also 20 Census Tracts with high cost mortgage percentages in excess of 1 - times the Town average ($29.2 \times 1.5 = 43.8\%$). All of these 20 Census Tracts were also in just three hamlets: Bay Shore, Brentwood and Central Islip. All 20 of the high cost mortgage Census Tracts were the same as the estimated high foreclosure rate Census Tracts.
- HUD ranked each of the 249 Census Block Groups in the Town of Islip on a scale of 1 to 10 based upon their calculation of the estimated foreclosure risk, with 10 being the highest anticipated risk. There were 40 Block Groups with estimated foreclosure risks of 8 or higher, and all but two of the Block Groups were considered "low, moderate or middle income" eligible. All of these very high risk Block Groups were in the hamlets of Bay Shore, Brentwood and Central Islip. Six Block Groups scored a 10 in BUD's analysis, two in Brentwood and 4 in Central Islip.
- Of all of the hamlets in the Town, the three hamlets with the greatest number of actual foreclosures and the three with the greatest likelihood of future foreclosures are Bay Shore, Brentwood and Central Islip.
 - The need for Congress to fund the war on terrorism and other impending military activities, and the impact these activities may have on federal funds available for HUD subsidies and grants.
 - Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the Agency's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Alison Karppi, Executive Director, Town of Islip Community Development Agency or call (631) 665-1185.

**GOVERNMENT - WIDE
FINANCIAL STATEMENTS**

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2013 AND 2012**

	JUNE 30,	
	2013	2012
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 3,467,768	\$ 3,223,496
Restricted Cash - Escrow Accounts	298,331	294,681
Prepaid Expenses	103,043	115,093
Due from IHDFC, Inc.	13,991	129,381
Loans and Mortgages Receivable - Current	724,210	1,025,450
Grants Receivable	682,042	670,155
Total Current Assets	5,289,385	5,458,256
Noncurrent Assets		
Capital Assets		
Land	524,983	524,983
Building	3,701,838	3,701,838
Machinery & Equipment	128,387	129,478
Total Capital Assets	4,355,208	4,356,299
Less: Accumulated Depreciation	(2,182,670)	(2,057,989)
Net Book Value	2,172,538	2,298,310
Assets Held For Sale	10,580,369	9,091,637
Loans and Mortgages Receivable	13,759,994	12,647,215
Total Other Assets	24,340,363	21,738,852
Total Assets	31,802,286	29,495,418
Deferred Outflow of Resources		
Total Deferred Outflows of Resources	-	-
Total Assets and Deferred Outflow of Resources	\$ 31,802,286	\$ 29,495,418

See accompanying notes to the financial statements.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2013 AND 2012**

	JUNE 30,	
	2013	2012
Liabilities		
Current Liabilities:		
Accounts Payable	\$ 595,754	\$ 610,136
Pension Plan Payable	62,553	61,491
Client Escrow Funds Payable	298,331	294,681
Accrued Interest Payable	53,186	37,414
Due to IHDFC, Inc.	4,782	8,798
Accrued Compensated Absences - Current	14,491	9,103
Long Term Debt - Current	140,000	130,000
Total Current Liabilities	1,169,097	1,151,623
Noncurrent Liabilities		
Long Term Debt - Non Current	660,000	800,000
Accrued Compensated Absences - Long-Term	508,150	499,047
Accrued Other Post-Employment Benefits Liabilities	567,829	378,019
Total Noncurrent Liabilities	1,735,979	1,677,066
Total Liabilities	2,905,076	2,828,689
Deferred Inflow of Resources		
Total Deferred Inflow of Resources	-	-
Net Position:		
Net Investment in Capital Assets	2,172,538	2,298,310
Restricted	25,395,990	23,022,903
Unrestricted	1,328,682	1,345,516
Total Net Position	28,897,210	26,666,729
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 31,802,286	\$ 29,495,418

See accompanying notes to the financial statements.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED JUNE 30, 2013**

<u>Function</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenue Operating Grants and Contributions</u>	<u>Total</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Home and Community Functions:					
Residential Rehabilitation	\$ (5,849,916)	\$ 2,169,126	\$ 5,171,627	\$ 7,340,753	\$ 1,490,837
Commercial Rehabilitation	(46,181)	-	34,181	34,181	(12,000)
Public Service Programs	(262,160)	-	217,162	217,162	(44,998)
Public Facilities Improvement	(6,940)	-	-	-	(6,940)
Code Enforcement	(81,978)	-	75,000	75,000	(6,978)
General and Administration	(591,972)	-	556,518	556,518	(35,454)
Total Home and Community Functions	<u>\$ (6,839,147)</u>	<u>\$ 2,169,126</u>	<u>\$ 6,054,488</u>	<u>8,223,614</u>	<u>1,384,467</u>
Other Revenue (Expenses)					
Investment Earnings					3,947
Impairment Loss Recovery					842,067
Total Other Expenses					<u>846,014</u>
Changes in Net Position					2,230,481
Net Position Beginning of Year					<u>26,666,729</u>
Net Position End of Year					<u>\$ 28,897,210</u>

See accompanying notes to the financial statements.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED JUNE 30, 2012

<u>Function</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenue</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Home and Community Functions:			<u>Operating Grants and Contributions</u>	
Residential Rehabilitation	\$ (5,884,643)	\$ 1,075,735	\$ 6,750,780	\$ 1,941,872
Commercial Rehabilitation	(120,970)	-	82,150	(38,820)
Public Service Programs	(357,843)	-	353,262	(4,581)
Public Facilities Improvement	(50,000)	-	70,530	20,530
Code Enforcement	(76,527)	-	75,000	(1,527)
General and Administration	(677,180)	-	250,533	(426,647)
Total Home and Community Functions	<u>\$ (7,167,163)</u>	<u>\$ 1,075,735</u>	<u>\$ 7,582,255</u>	<u>1,490,827</u>
Other Revenue (Expenses)				
Investment Earnings				6,615
Impairment Loss				(490,000)
Total Other Expenses				<u>(483,385)</u>
Changes in Net Position				1,007,442
Net Position Beginning of Year				<u>25,659,287</u>
Net Position End of Year				<u>\$ 26,666,729</u>

See accompanying notes to the financial statements.

**GOVERNMENTAL FUNDS
FINANCIAL STATEMENTS**

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2013

	GENERAL FUND	HOME INVESTMENT PARTNERSHIP PROGRAM	HOPWA PROGRAM	NEIGHBORHOOD STABILIZATION PROGRAM	NEIGHBORHOOD STABILIZATION PROGRAM 3	EBCBG PROGRAM	COMMUNITY DEVELOPMENT BLOCK GRANT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets									
Cash	\$ 826,817	\$ 41,943	\$ 102	\$ 19,335	\$ 2,000	\$ -	\$ 2,577,411	\$ 160	\$ 3,467,768
Escrow accounts - taxes, insurance, security deposits	138,741	58,129	-	24,180	-	-	77,281	-	298,331
Loans Receivable	-	3,855,212	-	1,365,258	-	-	9,263,735	-	14,484,205
Loan Receivable - IHDFC	-	-	-	-	-	-	13,991	-	13,991
Grants receivable	-	48,911	314,616	-	250	-	252,250	66,015	682,042
Prepaid Items	1,132	15,853	1,715	6,130	2,077	-	76,136	-	103,043
Land and buildings held for sale	501,482	2,418,161	-	1,420,690	438,340	-	5,801,696	-	10,580,369
Due from IHDFC	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	53,660	-	53,660
Total Assets	\$ 1,468,172	\$ 6,438,209	\$ 316,433	\$ 2,835,593	\$ 442,667	\$ -	\$ 18,116,160	\$ 66,175	\$ 29,683,409
Liabilities									
Accounts Payable	93	44,659	309,815	7,814	-	-	227,062	6,311	595,754
Pension plan payable	656	4,252	4,802	3,957	-	-	47,616	1,270	62,553
Due to other funds	-	-	-	-	-	-	-	58,444	58,444
Due to IHDFC	-	-	-	-	-	-	4,782	-	4,782
Client escrow funds payable	138,741	58,129	-	24,180	-	-	77,281	-	298,331
Deferred Revenue	55,905	3,855,212	-	1,365,258	-	-	9,277,725	-	14,554,100
Total Liabilities	195,395	3,962,252	314,617	1,401,209	-	-	9,634,466	66,025	15,573,964
Net Position									
Nonspendable	502,614	2,434,014	1,715	1,426,820	440,417	-	5,877,831	-	10,683,411
Reserved	-	-	101	7,564	2,250	-	2,603,863	150	2,613,928
Unassigned	770,163	41,943	-	-	-	-	-	-	812,106
Total Net Position	1,272,777	2,475,957	1,816	1,434,384	442,667	-	8,481,694	150	14,109,445
Total Liabilities and Net Position	\$ 1,468,172	\$ 6,438,209	\$ 316,433	\$ 2,835,593	\$ 442,667	\$ -	\$ 18,116,160	\$ 66,175	\$ 29,683,409

See accompanying notes to the financial statements.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2012**

	GENERAL FUND	HOME INVESTMENT PARTNERSHIP PROGRAM	HOPWA PROGRAM	NEIGHBORHOOD STABILIZATION PROGRAM	NEIGHBORHOOD STABILIZATION PROGRAM 3	EECBG PROGRAM	COMMUNITY DEVELOPMENT BLOCK GRANT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets									
Cash	\$ 811,375	\$ 92,181	\$ 22	\$ 418	\$ -	\$ -	\$ 2,319,340	\$ 160	\$ 3,223,496
Escrow accounts - taxes, insurance, security deposits	135,763	65,985	-	9,779	-	-	83,154	-	294,681
Loans Receivable	-	3,695,396	-	999,207	-	-	8,978,062	-	13,672,665
Loan Receivable - IHDFC	-	-	-	-	-	-	94,325	-	94,325
Grants receivable	-	48,216	131,676	5,371	-	179,546	227,639	77,707	670,155
Prepaid Items	960	10,407	1,412	5,694	-	-	96,620	-	115,093
Land and buildings held for sale	498,973	2,115,760	-	1,587,323	119,828	-	4,769,753	-	9,091,637
Due from IHDFC	35,056	-	-	-	-	-	-	-	35,056
Due from other funds	-	-	-	-	-	-	27,637	-	27,637
Total Assets	\$ 1,482,127	\$ 6,027,945	\$ 133,110	\$ 2,607,792	\$ 119,828	\$ 179,546	\$ 16,596,530	\$ 77,867	\$ 27,224,745
Liabilities									
Accounts Payable	247	43,321	127,302	1,713	-	179,546	207,927	50,080	610,136
Pension plan payable	601	4,895	4,374	3,658	-	-	47,963	-	61,491
Due to other funds	-	-	-	-	-	-	-	27,637	27,637
Due to IHDFC	-	-	-	-	-	-	8,798	-	8,798
Client escrow funds payable	135,763	65,985	-	9,779	-	-	83,154	-	294,681
Deferred Revenue	55,905	3,695,396	-	999,207	-	-	9,072,388	-	13,822,896
Total Liabilities	192,516	3,809,597	131,676	1,014,357	-	179,546	9,420,230	77,717	14,825,639
Net Position									
Nonspendable	499,933	2,126,167	1,412	1,593,017	119,828	-	4,866,373	-	9,206,730
Reserved	-	-	22	418	-	-	2,309,927	150	2,310,517
Unassigned	789,678	92,181	-	-	-	-	-	-	881,859
Total Net Position	1,289,611	2,218,348	1,434	1,593,435	119,828	-	7,176,300	150	12,399,106
Total Liabilities and Net Position	\$ 1,482,127	\$ 6,027,945	\$ 133,110	\$ 2,607,792	\$ 119,828	\$ 179,546	\$ 16,596,530	\$ 77,867	\$ 27,224,745

See accompanying notes to the financial statements.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
Reconciliation of Government Funds Net Position
to the Government - Wide Statement of Net Position
For Twelve Months Ended June 30, 2013 and 2012

	<u>2013</u>	<u>JUNE 30,</u> <u>2012</u>
Fund Balance - Total Governmental Funds	\$ 14,109,445	\$ 12,399,106
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Net book value of Capital Assets used in operations of Governmental Funds are not current financial resources and, therefore, are not reported in the Government Fund Net Position.	2,172,538	2,298,310
Other Long Term assets are not available to pay current period expenditures and, therefore, are deferred in the the Governmental Fund.	14,558,883	13,822,896
Accrued interest payable for the current portion of interest due on bonds has not been reported in the Government Funds.	(53,186)	(37,414)
The net post-employment benefit obligation is recorded in the Government wide financial statements but not in the Governmental Fund financial statements.	(567,829)	(378,019)
Long-term liabilities including bonds, compensated absences and claims and judgments are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,322,641)</u>	<u>(1,438,150)</u>
Net Position in in Governmental Fund	<u>\$ 28,897,210</u>	<u>\$ 26,666,729</u>

See accompanying notes to the financial statements.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
NET POSITION - GOVERNMENTAL FUNDS
FYE JUNE 30, 2013

	GENERAL FUND	HOME INVESTMENT PARTNERSHIP PROGRAM	HOPWA PROGRAM	NEIGHBORHOOD STABILIZATION PROGRAM	NEIGHBORHOOD STABILIZATION PROGRAM 3	EECBG PROGRAM	COMMUNITY DEVELOPMENT BLOCK GRANT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenue:									
Federal aid	-	\$ 685,822	\$ 1,883,954	\$ 25,081	\$ 404,889	\$ 70,454	\$ 2,816,287	\$ 168,001	\$ 6,054,488
Other program income	820	211,228	80	81,996	-	-	284,721	-	578,845
Subrecipient program income - repayment of loans and mortgages	-	-	-	-	-	-	715,114	-	715,114
Use of money and property:									
Rental income	-	184,351	-	-	-	-	500,896	-	685,247
Interest Income	1,156	-	-	-	-	-	2,791	-	3,947
Total Revenue	1,976	1,081,401	1,884,034	107,077	404,889	70,454	4,319,809	168,001	8,037,641
Expenditures:									
Current:									
Residential rehabilitation and development	-	886,233	1,715,379	337,072	82,050	70,454	2,890,402	156,504	6,138,094
Public facilities improvement	-	-	-	-	-	-	-	-	-
Public service programs	-	-	-	-	-	-	217,162	-	217,162
Commercial rehabilitation and development	-	-	-	-	-	-	34,181	-	34,181
Code enforcement	-	-	-	-	-	-	75,000	-	75,000
General	18,810	-	168,273	15,456	-	-	342,482	11,497	556,518
Capital	-	-	-	-	-	-	-	-	-
Debt Service:									
Principal	-	-	-	-	-	-	130,000	-	130,000
Interest and other charges	-	-	-	-	-	-	18,415	-	18,415
Total expenditures	18,810	886,233	1,883,652	352,528	82,050	70,454	3,707,642	168,001	7,169,370
Excess (deficiency) of Revenue over Expenditures	(16,834)	195,168	382	(245,451)	322,839	-	612,167	-	868,271
Other Sources and Uses									
Impairment loss	-	262,441	-	86,400	-	-	493,227	-	842,068
Transfer in	-	(200,000)	-	-	-	-	200,000	-	200,000
Transfer out	-	62,441	-	(86,400)	-	-	-	-	(200,000)
Total Other Sources and Uses	-	124,882	-	-	-	-	693,227	-	842,068
Changes in Net Position	(16,834)	257,609	382	(159,051)	322,839	-	1,305,394	-	1,710,339
Net Position at Beginning of Year	1,289,611	2,218,348	1,434	1,593,435	119,828	-	7,176,300	150	12,399,106
Net Position at End of Year	\$ 1,272,777	\$ 2,475,957	\$ 1,816	\$ 1,434,384	\$ 442,667	\$ -	\$ 8,481,694	\$ 150	\$ 14,109,445

See accompanying notes to the financial statements.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
NET POSITION - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2012

	GENERAL FUND	HOME INVESTMENT PARTNERSHIP PROGRAM	HOPWA PROGRAM	NEIGHBORHOOD STABILIZATION PROGRAM	NEIGHBORHOOD STABILIZATION PROGRAM 3	ECEBG PROGRAM	COMMUNITY DEVELOPMENT BLOCK GRANT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenue:									
Federal aid	\$ -	\$ 1,474,349	\$ 2,276,683	\$ 657,169	\$ 119,828	\$ 179,546	\$ 2,416,800	\$ 457,880	\$ 7,582,255
Other program income	2,120	194,546	-	27,289	-	-	87,928	-	311,883
Subrecipient program income - repayment of loans and mortgages	-	-	-	-	-	-	929,769	-	929,769
Use of money and property:									
Rental income	-	89,389	-	-	-	-	557,882	-	647,271
Interest Income	2,484	-	-	-	-	-	4,131	-	6,615
Total Revenue	4,604	1,758,284	2,276,683	684,458	119,828	179,546	3,996,510	457,880	9,477,793
Expenditures:									
Current:									
Residential rehabilitation and development	-	1,720,216	2,124,976	727,645	-	179,546	2,736,407	447,572	7,936,362
Public facilities improvement	-	-	-	-	-	-	50,000	-	50,000
Public service programs	-	-	-	-	-	-	353,262	-	353,262
Commercial rehabilitation and development	-	-	-	-	-	-	79,161	-	79,161
Code enforcement	-	-	-	-	-	-	75,000	-	75,000
General	18,040	-	151,675	38,540	-	-	357,014	10,308	575,577
Capital	-	-	-	-	-	-	-	-	-
Debt Service:									
Principal	-	-	-	-	-	-	120,000	-	120,000
Interest and other charges	-	-	-	-	-	-	19,310	-	19,310
Total expenditures	18,040	1,720,216	2,276,651	766,185	-	179,546	3,790,154	457,880	9,208,672
Excess (deficiency) of Revenue over Expenditures	(13,436)	38,068	32	(81,727)	119,828	-	206,356	-	269,121
Other Sources and Uses									
Impairment loss	(34,000)	(111,000)	-	(94,000)	-	-	(251,000)	-	(490,000)
Transfer in	-	-	-	-	-	-	135,000	-	135,000
Transfers out	-	(135,000)	-	-	-	-	(135,000)	-	(135,000)
Total Other Sources and Uses	(34,000)	(246,000)	-	(94,000)	-	-	(116,000)	-	(490,000)
Changes in Net Position	(47,436)	(207,932)	32	(175,727)	119,828	-	90,356	-	(220,879)
Net Position at Beginning of Year	1,337,047	2,426,280	1,402	1,769,162	-	-	7,085,944	150	12,619,985
Net Position at End of Year	\$ 1,289,611	\$ 2,218,348	\$ 1,434	\$ 1,593,435	\$ 119,828	\$ -	\$ 7,176,300	\$ 150	\$ 12,399,106

See accompanying notes to the financial statements.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
Reconciliation of Government Funds Statement of Revenue
Expenses and Changes in Net Position
to the Government - Wide Statement
For Twelve Months Ended June 30, 2013 and 2012

	JUNE 30,	
	2013	2012
Net change in fund balance - total government funds	\$ 1,710,339	\$ (220,879)
Amounts reported for governmental activities in the Statement of Revenue Expenses and Changes in Net Position are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of revenue, expenses and changes in net position, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Depreciation Expense	(133,297)	(108,121)
Capital outlays	7,525	-
Revenue in the statement of revenue, expenses and changes in net position that does not provide current financial resources is not reported as revenue in the governmental funds. For governmental funds, loans made that are not expected to be repaid in the near future are offset with deferred revenue whereas loans made are considered project expenditures and loans collected are considered current year revenue. However, on the statement of revenue, expenses and changes in net position, only interest earnings are reported.		
Loans collected during the year	(515,433)	(738,847)
Loans made during the year	1,326,973	2,193,138
Net change in deferred revenue and loans receivable	(80,335)	(74,341)
Repayment of principle in expenditures in the governmental funds and is a deduction from the fund balance, but the repayment reduces long-term liabilities in the statement of net position		
Serial bond obligation principle payments	130,000	120,000
Certain expenses reported in the statement of revenue, expenses and changes in net position that do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Accrued compensated absences	(14,491)	(9,103)
Accrued interest	(15,772)	(10,795)
Postemployment benefit obligation	(185,028)	(143,610)
Change in Net Position of Government - Wide	\$ 2,230,481	\$ 1,007,442

See accompanying notes to the financial statements.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

June 30, 2013

NOTE 1 - SUMMARY OF ORGANIZATION, ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Organization -

The basic financial statements of the Town of Islip Community Development Agency (the Agency or CDA) have been prepared in conformity with accounting principles generally accepted in the United States of America (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 financial reporting principles. The more significant accounting principles and reporting practices used by the CDA are described below.

Financial Reporting Entity

As defined by GASB, the financial reporting entity consists of the CDA, a component unit of the Town of Islip (the Town). The Agency is a legally a separate organization. The Board of Directors of the Town selects the Board of Directors of the Agency and the Town has the ability to impose its will on the Agency.

The CDA is a public benefit corporation which was created by New York State (the State) legislation in 1976 at the request of the Town. It functions as an "Urban Renewal Agency" under Articles 15, 15-A, and Section 633 of Article 15-B of the General Municipal Laws of the State. While it is an independent entity from the Town government, the Town Board appoints all members of the CDA Board of Directors and annually directs the CDA to implement housing and community developments projects on behalf of the Town.

The CDA is best known for its affordable housing programs for first-time homebuyers (housing lotteries) and for assisting existing homeowners in renovating their homes with zero interest loans (housing rehabilitation program). It is an independent agency that is strongly affiliated with the Town. There are two primary objectives of the Agency:

- to assist low and moderate income residents of the Town through housing and public service programs;
- and to remove blighted conditions in residential and commercial areas.

The Agency has been designated by the Town to administer six federally funded programs from the U.S. Department of Housing and Urban Development (HUD). These programs are: the Community Development Block Grant (CDBG) Program, the Home Investment Partnership (HOME) Program, the Neighborhood Stabilization (NSP) Program, the Emergency Solution Grant (ESG) Program, the Housing Opportunities for Persons with AIDS (HOPWA) Program, and the Homeless Prevention and Rapid Re housing (HPRP) Program.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

June 30, 2013

1. Organization - Continued

Based on the following criteria, the Agency has not identified any entities which should be subject to evaluation for inclusion in the Agency's reporting entity. The criteria for including or excluding a component unit relationship as set forth in Section 2100 of GASB's Codification of governmental Accounting and Financial Reporting Standards, include whether:

- A. The organization is legally separate.
- B. The primary government holds the corporate powers of the organization.
- C. The primary government appoints a voting majority of the organization's board.
- D. The primary government is able to impose its will on the organization.
- E. There is calendar dependency by the organization on the primary government.
- F. The organization has potential to impose a financial benefit or burden on the primary government.

2. Significant Accounting Policies

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The Agency follows GASB-45-"Accounting for Pensions by State and Local Governmental Employers."

New Accounting Standards Adopted

Statement No. 63 of the Government Accounting Standards Board ("GASB 63") *Financial Reporting of deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position* was issued in June 2012. This Statement results in a change in the presentation of the Agency's Statement of Net Assets to what is now referred to as the Statements of Net Position and the term "net assets" is changed to "net position" throughout the financial statements.

Statement No. 65 of the Government Accounting Standards Board ("GASB 65") *Items Previously Reported as Assets and Liabilities* was issued in March 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

June 30, 2013

2. Significant Accounting Policies -Continued

Basis of Accounting –

The financial statements of the Agency are prepared under the accrual basis of accounting in order to recognize the flow of economic resources. Under the accrual basis of accounting, transactions are recognized when they occur, regardless of when cash is received or disbursed. Revenues and expenses are recognized on the accrual basis, with revenues recognized in the accounting period in which they are earned and become measurable, and expenses recognized in the period incurred, if measurable. Operating revenue and expenses consist of those revenue and expenses that result from ongoing principal operations of the Agency.

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 (statements of net position and statements of revenue, expenses and changes in net position) report on the Agency as a whole. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The Agency has only governmental activities to report.

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

The government-wide statements of net position report all financial and capital resources of the Agency. It is displayed in a format of assets, liabilities and 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) Net Investment in Capital Assets,
- (2) Restricted, and
- (3) Unrestricted.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

June 30, 2013

Basis of Accounting – Continued

Net investments in capital assets represents capital assets net of accumulated depreciation which is reduced by outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Agency does not have any debt related to the acquisition of its capital assets.

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

Generally, the Agency would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. The government-wide statements of activities demonstrate the degree to which direct and indirect expenses of the various functions and programs of the Agency are offset by revenues. Program revenues include charges for services such as rental income and interest on residential rehabilitation loans and operating grants.

The government-wide statements of revenue, expenses and changes in net position reflect both the gross and net cost per functional category (residential rehabilitation, commercial rehabilitation, public facilities improvement, public service, code enforcement and general and administration) and the revenue that is properly included in program revenue. The general revenue includes gain from interest income. The statements of activities reduce gross expenses (including depreciation) by related program revenue, operating and capital grants. The program revenue must be directly associated with the functional (residential rehabilitation, commercial rehabilitation, public facilities improvement, public service, code enforcement and general and administration) activity. The operating grants include operating-specific and discretionary (either operating or capital) grants. The Agency did not have capital-specific grants in the fiscal years ended June 30, 2013 and 2012.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. 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, a reconciliation is presented on page 28 and page 31, which briefly explains the adjustment necessary to transform the fund-based financial statements into the governmental column of the government-wide presentation.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

June 30, 2013

Basis of Accounting – Continued

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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. Revenue is recognized only as it becomes 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 revenue to be available if it is 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.

Revenue sources that are susceptible to accrual include rental income, interest on mortgages receivable and expenditure driven revenue for which the expenditures have been incurred and related grant revenues are receivable.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

June 30, 2013

Report Presentation -

The Agency's basic financial statements are presented on a government-wide basis consisting of various housing programs. The financial statements included in this report were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America. In accordance with GASB Statement No. 34, the report includes Management's Discussion and Analysis. The Agency has implemented the general provisions of GASB Statement No. 34.

Also the Agency adopted the provisions of Statement No. 37 "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" Statement No.38 "Certain Financial Statement Note Disclosures", and Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" which supplements GASB Statement No. 34.

GASB Statement No. 34 established standards for external financial reporting for all State and Local Governments entities that includes a statement of net assets, a statement of revenue, expenses, and changes in net assets, and a statement of cash flow.

GASB Statement No. 63 requires the classification of "net assets" into "net position" which consists of three components, Net Investment in Capital Assets, Restricted, and Unrestricted.

The adoptions of Statement No. 34, Statement No. 37, Statement No. 38, and Statement No. 63 have no significant effect on the financial statements except, for the classification of net position in accordance with Statement No. 63.

Net Investment in Capital Assets.

The net position consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.

Restricted.

The net position less that are subject to constraints on their use by creditors, grantors, contributors, legislation, or other governmental laws or regulations.

Unrestricted.

The net position consists of net assets that do not meet the definition of Restricted Net Position or Net Investment in Capital Assets.

The federally funded programs administered by the Agency are detailed in the Schedule of Expenditures of Federal Awards; which is included as Supplemental information.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

June 30, 2013

Other accounting policies are as follows

1 – Cash and cash equivalents are stated at cost, which approximates market. Cash and cash equivalents include cash in banks, petty cash and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. Investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

2 – Collection losses on accounts receivable are charged against an allowance for doubtful accounts.

3 – Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight line basis.

4 – Operating grants received from HUD are recorded as income when the corresponding expenditures have been incurred.

5 – The cost of accumulated unpaid compensated absences, including fringe benefits, is reported in the period earned rather than in the period paid.

6 – Prepaid expenses represent payments made by the Agency in the current year to provide services occurring in the subsequent fiscal year.

7 – Inter-fund receivable and payables arise from inter-fund transactions and are recorded by all funds in the period in which the transactions are executed.

8- Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Agency but which will only be resolved when one or more future events occur or fail to occur. The Agency's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Agency or unasserted claims that may result in such proceedings, the Agency's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Agency's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

June 30, 2013

Other accounting policies - Continued

9- Costs related to environmental remediation are charged to expense. Other environmental costs are also charged to expense unless they increase the value of the property and/or provide future economic benefits, in which event they are capitalized. Liabilities are recognized when the expenditures are considered probable and can be reasonably estimated. Measurement of liabilities is based on currently enacted laws and regulations, existing technology, and undiscounted site-specific costs. Generally, such recognition coincides with the Agency's commitment to a formal plan of action.

10- When expenses are incurred where both restricted and unrestricted net assets are available the Agency will first use the restricted funds until they are exhausted and then the unrestricted net assets will be used.

11- Fair Value Measurements – Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Generally accepted accounting principles defined a three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs, other than quoted prices in active markets that are observable either directly or indirectly; and
- Level 3: Unobservable inputs for which there is little or no market data, which requires the Agency to develop assumptions.

The carrying amounts reported for cash and short-term investments approximate fair value.

Budgets and Budgetary Accounting

To receive its annual CDBG entitlement grants, the Agency develops and submits to HUD and others its Consolidated Plan, which is the Agency's comprehensive planning document and application for funding under the following Community Planning and Development formula grant programs: CDBG, HOME, HOPWA, NSP and ESG Programs. In its Consolidated Plan, the Agency identifies its goals for these programs as well as for housing programs. The goals will serve as the criteria against which HUD will evaluate the Agency's plan and its performance under the plan. Also, the Consolidated Plan includes several required certifications, including that not less than 70% of the CDBG funds received, over a one, two or three year period specified by the Agency, will be used for activities that benefit low and moderate-income persons, and that the Agency will affirmatively further fair housing.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

June 30, 2013

Budgets and Budgetary Accounting -Continued

HUD will approve a Consolidated Plan submission unless the Plan (or a portion of it) is inconsistent with the purposes of the National Affordable Housing Act or is substantially incomplete. Following approval, HUD will make a full grant award.

As required by HUD, the Agency holds public hearings before adopting the annual plan. The Agency 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 the projects could take several years.

Budgetary Principles

The Agency established annual budgetary planning control for its CDBG Fund. The Agency adopts an annual budget on or before May 31 for the ensuing fiscal year. The CDBG Fund is composed of four sub funds: CDBG Fund, RUM Fund, EIC Fund, ATC Fund, and 911 Lowell Avenue Fund. Additionally, the NSP Fund is also under the CDBG Program. The CDBG Fund budget is not a legally adopted budget, but is a non-appropriated budget for planning purposes that is subjected to public hearing and approved by Agency's Board of Directors. The level of budgetary control (that is, the level at which expenditures cannot exceed the appropriated amount) is established at the Agency level. From the effective date of the budget, the amounts stated therein as proposed expenditures/expenses become appropriations to the Agency. The budget for the fiscal year ended June 30, 2013 was amended to add supplemental revenues and appropriations. All amendments to the budget which change the total appropriation amount require the Board of Directors approval and all increases in appropriations must be accompanied by an increase in revenue sources of a like amount to maintain a balanced budget.

Activities

The programs or activities administered by the Agency are as follows:

The Agency reports the following major government funds:

General Fund

The General Fund is the general operating fund of the Agency. The General Fund accounts for all activities of the Agency not specifically required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements June 30, 2013

Activities - Continued

HOME Program Fund

This Special Revenue Fund accounts for the receipt and disbursement of funds related to the HUD-funded HOME Program. The HOME Program provides grants, often in partnership with local nonprofit groups, to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people.

At June 30, 2013, the HOME Fund had a reserved fund balance of \$41,943 and a total fund balance of \$2,475,957. At June 30, 2012, the HOME Fund had a reserved fund balance of \$92,181 and a total fund balance of \$2,218,348. The Agency supplements HOME Fund expenditures with CDBG funds. Rental income is used by the HOME Fund or is transferred to the CDBG Fund for eligible expenditures.

HOPWA Program Fund

This Special Revenue Fund accounts for the receipt and disbursement of funds related to the HUD-funded HOPWA Program. The HOPWA Program was established by HUD to address the specific needs of persons living with HIV/AIDS and their families. HOPWA makes grants to local communities, states, and nonprofit organizations for projects that benefit low income persons medically diagnosed with HIV/AIDS and their families. At June 30, 2013, the HOPWA Fund had a reserved fund balance of \$101 and a total fund balance of \$1,816. At June 30, 2012, the HOPWA Fund had a reserved fund balance of \$22 and a total fund balance of \$1,434.

NSP Program Fund

This Special Revenue Fund accounts for the receipt and disbursement of funds related to the HUD-funded Neighborhood Stabilization Program provided through the Housing and Economic Recovery Act of 2008 (HERA), which is a component of the CDBG Program. The NSP Program allows the Town to purchase and renovate foreclosed homes in the three areas of the Town with the highest foreclosure rates. At June 30, 2013, the NSP Fund had a reserved fund balance of \$7,564 and total fund balance of \$1,434,384. At June 30, 2012, the NSP Fund had a reserved fund balance of \$418 and total fund balance of \$1,593,435.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

June 30, 2013

Activities - Continued

NSP3 Program Fund

This Special Revenue Fund accounts for the receipt and disbursements of funds related to the HUD-Funded Neighborhood Stabilization Program provided through the Housing and Economic Recovery Act of 2008 (HERA) which is a component of the CDBG program. The NSP3 Program allows local governments to mitigate the negative impact of the nation's economic decline and housing market collapse and to stabilize and revitalize communities/areas hit the hardest. At June 30, 2013, the NSP3 fund had a nonspendable fund balance of \$440,417 and a total fund balance of \$442,667. At June 30, 2012, the NSP3 fund had a nonspendable fund balance of \$119,828 and a total fund balance of \$119,828.

EECBG Program

This Special Revenue Fund accounts for the receipts and disbursements of funds allowing local home owners and business to get the required additional capital for green renewable energy projects. The Energy Efficiency and Conservation Block Grant (EECBG) Program, funded for the first time by the American Recovery and Reinvestment Act (Recovery Act) of 2009, represents a presidential priority to deploy the cheapest, cleanest and most reliable energy technologies we have, energy efficiency and conservation, across the country.

CDBG Fund

This Special Revenue Fund accounts for the receipt and disbursement of funds related to the HUD-funded CDBG Program. The CDBG Program works to ensure decent affordable housing, to provide services to the most vulnerable in our communities, and to create jobs through the expansion and retention of businesses. The CDBG Program is an important tool for helping local governments tackle serious challenges facing their communities. The CDBG Fund is comprised of five sub-funds:

CDBG Fund - This fund accounts for the receipt and disbursement of funds related to Community Development Block Grants from the HUD-funded program and the related program incomes.

Rental Unit Management (RUM) Fund - The RUM Fund accounts for the receipt and disbursement of funds related to eight residential units owned by the Agency in the College wood area of the Town.

Applied Technology Center (ATC) Fund - The ATC Fund accounts for the receipt and disbursement of funds related to the Applied Technology Center (business incubator) in Bay Shore.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

June 30, 2013

Activities - Continued

East Islip Congregate (EIC) Fund - The EIC Fund accounts for the receipt and disbursement of funds related to the 13 housing units located at Harwood Ave. in East Islip, New York. These units are rented to Section 8 Housing Voucher recipients.

911 Lowell Avenue Fund - This fund accounts for the receipt and disbursement of funds related to the construction of senior citizen apartments in order to house four senior citizens in Central Islip.

At June 30, 2013, the CDBG Fund had a reserved fund balance of \$2,603,863 and a total fund balance of \$8,481,694. At June 30, 2012, the CDBG Fund had a reserved fund balance of \$2,309,927 and a total fund balance of \$7,176,300.

Non-Major Funds:

Homeless Prevention and Rapid Re-housing Program (HPRP) Fund

This Special Revenue Fund accounts for the receipt and disbursement of ARRA Funds obtained under the HUD-funded Homeless Prevention and Rapid Rehousing Program. The HPRP Program assists individuals and families who are homeless or threatened with homelessness. At June 30, 2013 and 2012, the HPRP Fund had no fund balance.

Emergency Solution Program (ESG) Fund

This Special Revenue Fund accounts for the receipt and disbursement of funds related to the HUD-funded Emergency Solution Grant Program. The Emergency Solution Grant Program provides homeless persons with basic shelter and essential supportive services. It can assist with the operational costs of the shelter facility, and for the administration of the grant. The ESG Program also provides short-term homeless prevention assistance to persons at imminent risk of losing their own housing due to eviction and foreclosure. At June 30, 2013 and 2012, the ESG Fund had a reserved fund balance of \$150.

Long Island Green Homes (LIGH) Fund

This Special Revenue Fund accounts for the receipt and disbursement of funds related to the U.S. Department of Energy's (passed through New York State Energy Research and Development Agency) Energy STAR Program. The Green Home Program provides residents with non-interest bearing loans and cash-back incentives for energy efficiency improvements. At June 30, 2013 and 2012, the LIGH Fund had no fund balance.

Grants

The Agency receives reimbursement from various grantors for the cost of sponsored projects, including administrative cost. Grant revenues are recognized as income when corresponding expense has been incurred.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

June 30, 2013

Board of Directors - The criteria used in determining the scope of the entity for financial reporting purposes are as follows:

1. The ability of the Board to exercise supervision of a component unit's financial independence.
2. The Board's governing Agency extends to financial decision making Agency and is held primarily accountable for decisions.
3. The Board appoints the management of the Agency who is responsible for the day-to-day operations and this management are directly accountable to the Board.
4. The ability of the Board to significantly influence operations through budgetary approvals, signing and authorizing contracts, exercising control over facilities, and approving the hiring or retention of key managerial personnel.
5. The ability of the Board to have absolute Agency over all funds of the Agency and have accountability in fiscal matters.

NOTE 2 - ESTIMATES

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use, and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

June 30, 2013

NOTE 3 - PENSION PLAN

General Information

The Agency participates in the New York State and Local Employees' Retirement System (ERS). This is cost-sharing, multiple employer retirement system. ERS is included in the State's financial report as a pension trust fund.

Plan Description

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend the rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System; 110 State Street; Albany, New York 12244 or from the Comptroller's website.

Funding Policies

The System is non-contributory, except for employees who joined the New York State and Local Employees Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten years of membership. Under the Agency of the NYSRSSL, the Comptroller annually certifies the rates expressed used in computing the employers' contributions.

Since 1989, the System's billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989, over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

June 30, 2013

NOTE 3 - PENSION PLAN - CONTINUED

Tiers

Membership Tiers-Pension legislation enacted in 1973, 1976, 1983, 2010, and 2012 established distinct classes of membership. The tier status of a member determines eligibility for benefits, formula used in the calculation of benefits, death benefit coverage, service crediting, whether or not a member has required contributions, and member loan provisions. Listed below are the tiers for ERS members:

Tier 1 – Persons who last became members of ERS before July 1, 1973.

Tier 2 – July 1, 1973 through July 26, 1976.

Tier 3 – July 27, 1976 through August 31, 1983.

Tier 4 – September 1, 1983 through December 31, 2009.

Tier 5 – January 1, 2010 through June 30, 2012.

Tier 6 – April 1, 2012 and after.

Vesting

Members who joined ERS prior to January 1, 2010 need five year of service to be 100% percent vested. Members who joined on or after January 1, 2010 require ten years of service credit to be 100% percent vested.

Benefits

Tiers 1 and 2

Eligibility: Tier I members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier I is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with more than 20 years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier I and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months. Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

June 30, 2013

NOTE 3 - PENSION PLAN - CONTINUED

Tiers 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits. Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

June 30, 2013

NOTE 4 – CASH, CASH EQUIVALENTS

The Agency's cash, cash equivalents are stated at cost, which approximates market. Cash, cash equivalents and investment includes cash in banks, petty cash and a money market checking account and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. For the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase. It is the Agency's policy to maintain collateralization in accordance with the State of New York and HUD requirements.

As of June 30, 2013 and 2012, cash and cash equivalents was \$3,766,099 and \$3,518,177 respectively. The carrying amount of cash was as follows:

	<u>June-13</u>	<u>June-12</u>
Cash and equivalents	\$ 3,467,768	\$ 3,223,496
Restricted Cash - Escrow Funds	298,331	294,681
Total Cash, Cash Equivalents	<u>\$ 3,766,099</u>	<u>\$ 3,518,177</u>
Demand Deposits	\$ 2,120,715	\$ 2,107,005
Money Market Accounts	1,645,384	1,411,172
Total Cash, Cash Equivalents	<u>\$ 3,766,099</u>	<u>\$ 3,518,177</u>

The Agency's investment policies are governed by State statutes. Agency monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Agency is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the United States Treasury and United States agencies, repurchase agreements and obligations of New York State or its localities.

Interest Rate Risk

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.

Custodial and Credit Risk

The Agency's bank balances of deposits were either entirely insured by the FDIC or collateralized with securities pledged in third party custodial accounts of the pledging financial institutions in the Agency's name.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements
June 30, 2013

NOTE 4 – CASH, CASH EQUIVALENTS - CONTINUED

The collateral amounts are as required by 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 determines that the collateral or underlying securities have an adequate market value and have been segregated.

NOTE 5 – PREPAID EXPENSES

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. All purchases of insurance premiums are written off on a monthly basis. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed. Prepaid expenses at June 30, 2013 and 2012 consisted of the following:

	<u>June-13</u>	<u>June-12</u>
Prepaid Insurance	\$ 47,162	\$ 54,010
Prepaid Expense - Employee Benefits	55,881	61,083
Total Prepaid Expenses	<u>\$ 103,043</u>	<u>\$ 115,093</u>

NOTE 6 – LOANS AND MORTGAGES RECEIVABLE

Loans and mortgages receivable, which arise from the financing of residential building sales or rehabilitation, are reported at the outstanding principal balance and are secured by the lots sold. For governmental funds, residential rehabilitation and other loans made that are not expected to be repaid in the near future are credited to deferred revenue. The loans made are considered project expenditures and loans collected are considered current year revenue. However, on the statements of activities only interest earnings are reported.

Loans and mortgages receivable are written off when all collection efforts have been used and the foreclosure process has been completed. Interest income is recognized when earned unless the likelihood of loss is greater than remote. An allowance is provided on each note if the fair value of the collateral is less than the outstanding principal and interest balance of the mortgage. Loans and mortgages receivable are considered past due after 15 days, delinquent after 30 days and collection proceedings begin after three months. Bad debts due to bankruptcies and foreclosures are charged to expense when measurable, The Agency estimated that it did not have any uncollectable loans receivable as of June 30, 2013 and 2012.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements
June 30, 2013

NOTE 6 – LOANS AND MORTGAGES RECEIVABLE -CONTINUED

Loans and mortgage receivable at June 30, 2013 and 2012 consisted of the following:

Fund	Balance June-12	Additions	Reductions	Balance June-13
CDBG Fund	\$ 8,978,062	\$ 688,124	\$ (402,451)	\$ 9,263,735
Home Fund	3,695,396	258,849	(99,033)	3,855,212
NSP Fund	999,207	380,000	(13,949)	1,365,258
Total Receivable	13,672,665	1,326,973	(515,433)	14,484,205
Less Current Portion	(1,025,450)	-	-	(724,210)
Noncurrent Loans and Mortgages Receivable	\$ 12,647,215	\$ 1,326,973	\$ (515,433)	\$ 13,759,995

Fund	Balance June-11	Additions	Reductions	Balance June-12
CDBG Fund	\$ 8,795,160	\$ 831,138	\$ (648,236)	\$ 8,978,062
Home Fund	2,894,814	882,000	(81,418)	3,695,396
NSP Fund	528,400	480,000	(9,193)	999,207
Total Receivable	12,218,374	2,193,138	(738,847)	13,672,665
Less Current Portion	(610,920)	-	-	(1,025,450)
Noncurrent Loans and Mortgages Receivable	\$ 11,607,454	\$ 2,193,138	\$ (738,847)	\$ 12,647,215

NOTE 7 – GRANTS RECEIVABLE

Revenue and other governmental fund financial resource increments are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. "Available" means collectible within the current period or within 60 days after year-end and usable to pay liabilities of the current period.

As of June 30, 2013 and 2012, the amount of grants receivable for federal aid was \$682,042 and \$670,155 respectively.

NOTE 8 – INTERFUND ACTIVITY

Interfund activity is reported as short term loans, services provided during the course of operations, reimbursements, or transfers. Short term loans are reported as interfund short term receivables and payable as appropriate. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

June 30, 2013

NOTE 9 - FIXED ASSETS

Capital assets are defined by the Agency as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets include property, equipment, and infrastructure assets (i.e., roads, sidewalks and similar items). 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. Donated fixed assets are stated at their fair value on the date donated.

Expenditures for repairs, maintenance and minor renewals are charged against income in the year they are incurred. Major renewals and betterment are capitalized.

Expenditures are capitalized when they meet the Capitalization Policy requirements.

Under the policy, assets purchased or constructed at a cost not exceeding \$5,000 are expensed when incurred.

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

No interest was capitalized for the fiscal years 2013 and 2012. All outlays were from the Agency's program income, federal assistance, and cash from their General Fund.

Depreciation is provided using the straight line method over the estimated useful lives of the assets.

1. Building and Structure	40 years
2. Office Improvements	7 years
3. Site Improvements	15 years
4. Building Components	10-40 years
5. Office Equipment	5 years

The Town of Islip Community Development Agency has given consideration to the Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, (SFAS No. 144) in the preparation of these financial statements.

The carrying value of long-live assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," when indications of an impairment are present, the recoverability of the carrying value of the asset in question are assessed based on the future undiscounted cash flow expected to result from their use. If the carrying value cannot be recovered, impairment losses would be recognized to the extent the carrying value exceeds fair value. The Agency has not recognized any impairment in the carry value of its fixed assets at June 30, 2013.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements
June 30, 2013

NOTE 9 - FIXED ASSETS - CONTINUED

Below is a schedule of changes in fixed assets for the twelve months ending June 30, 2013 and 2012:

	June-12	Additions	Deletions	June-13
Land	\$ 524,983	\$ -	\$ -	\$ 524,983
Building	3,701,838	-	-	3,701,838
Machinery and Equipment	129,478	7,525	(8,616)	128,387
Total Fixed Assets	4,356,299	7,525	\$ (8,616)	4,355,208
Accumulated Depreciation	(2,057,989)	(133,297)	8,616	(2,182,670)
Net Book Value	\$ 2,298,310	\$ (125,772)	\$ -	\$ 2,172,538

	June-11	Additions	Deletions	June-12
Land	\$ 524,983	\$ -	\$ -	\$ 524,983
Building	3,701,838	-	-	3,701,838
Machinery and Equipment	129,478	-	-	129,478
Total Fixed Assets	4,356,299	-	\$ -	4,356,299
Accumulated Depreciation	(1,949,867)	(108,122)	-	(2,057,989)
Net Book Value	\$ 2,406,432	\$ (108,122)	\$ -	\$ 2,298,310

The following is a summary of the cost of properties held for lease which was included in the total fixed assets schedule at June 30, 2013 and 2012:

	June-13	June-12
Residential Properties	\$ 2,463,248	\$ 2,463,248
Commercial Properties	1,753,573	1,763,573
Total	4,216,821	4,226,821
Accumulated Depreciation	(2,085,216)	(1,967,823)
Net Book Value	\$ 2,131,605	\$ 2,258,998

Depreciation expense of \$133,297 and \$108,122 for the years June 30, 2013 and 2012, was charged to different functions as follows:

	June-13	June-12
Residential Rehabilitation	\$ 98,034	\$ 98,034
General and Administration	35,263	10,088
Total Depreciation Expense	\$ 133,297	\$ 108,122

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

June 30, 2013

NOTE 9 - FIXED ASSETS - CONTINUED

Leases

The Agency leases a commercial property under annual operating leases. The Agency also leases residential properties to persons and families of low income under operating leases. These leases generally expire within one year. Total rental income amounted to \$626,822 and \$647,271 for the years ended June 30, 2013 and 2012, respectively.

NOTE 10 - ASSETS HELD FOR SALE

Land and buildings acquired for rehabilitation and held for resale are valued at the lower of cost or net realizable value and are recorded in the General Fund, HOME Fund, NSP Fund and CDBG Fund.

During the years ended June 30, 2013 and 2012, the changes in land and buildings held for sale were as follows:

Fund	Balance June-12	Additions	Reductions	Recovery (Impairment)	Balance June-13
General Fund	\$ 498,973	\$ 2,510	\$ -	\$ -	\$ 501,483
Home Fund	2,115,760	608,018	(568,058)	262,440	2,418,160
NSP Fund	1,587,323	33,231	(286,264)	86,400	1,420,691
NSP Fund	119,828	318,512	-	-	438,340
CDBG Fund	4,769,753	1,502,577	(963,862)	493,227	5,801,695
Total Net Book Value	\$ 9,091,637	\$ 2,464,848	\$ (1,818,184)	\$ 842,067	\$ 10,580,369

Fund	Balance June-11	Additions	Reductions	Recovery (Impairment)	Balance June-12
General Fund	\$ 567,170	\$ -	\$ (34,197)	\$ (34,000)	\$ 498,973
Home Fund	2,304,805	-	(78,045)	(111,000)	2,115,760
NSP Fund	1,755,837	-	(74,514)	(94,000)	1,587,323
NSP Fund	-	119,828	-	-	119,828
CDBG Fund	4,740,352	599,936	(319,535)	(251,000)	4,769,753
Total Net Book Value	\$ 9,368,164	\$ 719,764	\$ (506,291)	\$ (490,000)	\$ 9,091,637

The carrying value of long-live assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," when indications of an impairment are present, the recoverability of the carrying value of the asset in question are assessed based on the future undiscounted cash flow expected to result from their use. If the carrying value cannot be recovered, impairment losses would be recognized to the extent the carrying value exceeds fair value. The CDA's land and buildings held for sale are recorded on a cost basis.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

June 30, 2013

NOTE 10 – ASSETS HELD FOR SALE - CONTINUED

During the years ended June 30, 2012 and 2011, management determined the Agency's property held for sale was impaired. Accordingly, an impairment adjustment was recorded in the following funds to properly reduce the land and buildings held for sale to their estimated fair value. The Agency has not recognized any impairment in the carry value of its assets held for sale at June 30, 2013. In 2013 the Agency recovered some of the impairment when the Agency sold the assets.

NOTE 11 – ACCRUED COMPENSATED ABSENCES

The cost of compensated absences is accrued, when incurred, in the Statement of Net Position. A liability for the current amount of compensated absences is recorded as a current liability at June 30, 2013 and 2012 in the governmental funds. There is no long-term liability for compensated absences in the governmental funds.

Agency employees are granted vacation and sick leave and compensated absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave and unused compensatory absences at various rates subject to certain employee is entitled to payment for accumulated vacation and sick leave and unused compensatory absences at various rates subject to certain maximum limitations.

Accrual of vacation and sick leave is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation and sick leave and compensatory absences when such payment becomes due.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements
June 30, 2013

NOTE 12 - LONG TERM DEBT

Governmental Activities: Serial Bonds

In December of 1997, the Agency obtained loan guarantee assistance from HUD to borrow \$2,000,000. These Section 108 loan funds were contemplated to be utilized by the Agency to make a loan to Touro College in the principal amount of \$2,000,000. At June 30, 1998, \$1,720,000 was borrowed. At June 30, 1999, the remaining \$280,000 was borrowed. The interest being paid on the outstanding funds was equal to the London Interbank Offered Rate (LIBOR) plus twenty basis points. On April 28, 1999, the outstanding funds were converted into 20-year serial bonds through a public offering by HUD pursuant to the Housing and Community Development Act of 1974, as amended.

The serial bonds payable by the Agency totaled \$1,960,000 with interest rates of 4.95% to 6.72% and maturity dates of August 1, 1999 through August 1, 2018. Interest payments are due on each February 15th and August 1st, commencing August 1, 1999. Touro College has pledged as collateral: (1) a \$1,720,000 acquisition mortgage and a \$280,000 building loan mortgage on the Bay Shore Mini-Center (premises); (2) an assignment of rents and leases of the premises; and, (3) a security interest in all fixtures and certain other property located at the premises. On July 22, 2010 the Bond was refinanced from a variable interest rate to a fixed interest rate. All other terms of the agreement remained consistent.

Future maturities of principle and interest at June 30, 2013 are as follows:

	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
June 30, 2014	\$ 140,000	\$ 16,918	\$ 156,918
June 30, 2015	150,000	14,630	164,630
June 30, 2016	160,000	11,520	171,520
June 30, 2017	170,000	7,499	177,499
June 30, 2018	180,000	2,619	182,619
Total Bonds Payable	<u>\$ 800,000</u>	<u>\$ 53,186</u>	<u>\$ 853,186</u>

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements
June 30, 2013

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

The Agency’s annual other postemployment benefit (“OPEB”) cost (expense) is calculated based on the annual required contribution of employer (“ARC”) , an amount actuarially determined in accordance with parameters of GASB Statement No. 45 . The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty (30) years.

The following table shows the components of the Agency’s annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Agency’s net OPEB obligation to the plan:

	June-13	June-12
Normal Cost	\$ 99,606	\$ 99,606
Amortization of Initial Unfunded Actuarial Accrued Liability	154,150	164,894
Compound Interest to Year end	8,207	8,207
Annual Required Contribution	261,963	272,707
Interest on net OPEB obligation	15,465	15,465
Adjustments to ARC	(17,618)	(17,618)
Increase in net OPEB obligation	259,810	270,554
Less: Contributions Made	(70,000)	(126,944)
Increase in net OPEB obligation	189,810	143,610
Net OPEB Obligation – beginning of year	378,019	234,409
Net OPEB Obligation – end of year	\$ 567,829	\$ 378,019

The cost of health insurance premiums to the Agency on a monthly and annual basis for the year ended June 30, 2013 is as follows:

	Monthly	Annual
Pre-65 Retiree	\$ 768	\$ 9,216
Pre-65 Dependent	94	1,123
Medicare Eligible Single	399	4,792
Medicare Eligible Dependent	550	6,599

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements
June 30, 2013

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION - CONTINUED

The Agency’s annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2013 fiscal year is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December-13	\$ 230,529	49%	\$ 655,759
December-14	\$ 239,697	52%	\$ 770,970

FUNDED STATUS AND FUNDING PROGRESS

As of January 1, 2013, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$3,838,976, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,838,976.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

June 30, 2013

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION - CONTINUED

ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by employer and plan members) and include the types of benefits provided at the time each valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

- | | |
|---|----------------------------------|
| • Actuarial Cost Method | Projected Unit Credit |
| • Investment Rate of Return | 4.00% per annum |
| • Healthcare Trend Rates: | 7-9% |
| • Annual Payroll Increase: | 2.5% per annum |
| • Actuarial Value of Assets: | Market Value |
| • Amortization of UAAL: | |
| Amortized as fixed dollar basis over 30 years at transition | |
| • Remaining Amortization Period: | 27.45 years at December 31, 2011 |

Reconciliation of Plan Participation (As of January 1, 2013) Active Employees:

	<u>January-13</u>
Number of Active Employees	11
Average Age - Actives	53.7
Average Years of Service - Actives	22.1
Number of Retired Employees	9
Average Age - Retirees	75.2

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

June 30, 2013

NOTE 14 – NET POSITION

Fund Balances

There are five classifications of fund balances as detailed below; however, in the accompanying Statement of Net Position – Governmental Fund financial statements, here are only three classifications of fund balances presented:

Nonspendable Fund Balance

Includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Nonspendable fund balance includes prepaid and land and buildings held for sale. The total nonspendable fund balance was \$10,683,411 and \$9,206,730 at June 30, 2013 and 2012, respectively.

Restricted Fund Balance

Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The Agency has classified the fund balances of the Special Revenue Funds as restricted. The total restricted fund balance was \$2,613,928 and \$2,310,517 at June 30, 2013 and 2012, respectively.

Committed Fund Balance

Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the Agency's highest level of decision making Authority. The Agency has no committed fund balances as of June 30, 2013 and 2012.

Assigned Fund Balance

Includes amounts that are constrained by the Agency's intent to be used for specific purposes, but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the Agency management through Board policies. This classification also includes the remaining positive fund balances of all governmental funds except for the General Fund. The Agency had no assigned fund balances at June 30, 2013 and 2012.

Unassigned Fund Balance

Includes the residual fund balance of the General Fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance. The Agency's unassigned fund balance totaled \$812,106 and \$881,859 at June 30, 2013 and 2012, respectively. In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, the expenditure is to be spent first from the restricted fund balance and then from the unassigned fund balance.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

June 30, 2013

NOTE 15 – RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Agency purchases commercial insurance. During the year ended June 30, 2013, the Agency's risk management program, in order to deal with the above potential liabilities, purchased various insurance policies for fire, general liability, crime, auto, employee bond, worker's compensation, and public-officials errors omissions.

Periodically, but not less than once annually, the Agency conducts a physical inspection of its building's for the purpose of determining potential liability issues.

NOTE 16 – RELATED PARTY TRANSACTION

Islip's Housing Development Fund Company, Inc.

The Agency cooperates with Islip's Housing Development Fund Company, Inc. (IHDFC) in construction and rehabilitation of housing for the low and moderate income families. The Agency grants income to IHDFC for construction of low-income housing. Upon completion of the projects, the Agency retains possession of the structures.

IHDFC is a New York governmental not-for-profit corporation that was organized in 1990 under the Private Housing Finance Law of the State of New York, the Not-for-Profit Law of the State of New York and the Internal Revenue Code Section 501 (c)(3). IHDFC is a component unit of the Town.

The Agency has contracted with IHDFC for the construction of new homes for first-time homebuyers under the HOME Program. Also, the Agency has contracted for the acquisition/rehabilitation of existing scattered site homes under the HOME and CDBG Programs for rental or rent-with-option to buy housing. Upon expiration of this agreement, IHDFC shall transfer to the Agency any unexpended CDBG funds and any accounts receivable attributable to the use of CDBG funds.

IHDFC utilizes the employees of the Agency to perform bookkeeping, project management maintenance and grounds keeping. IHDFC reimburses the cost of these expenses to the Agency. Such amounts totaled \$100,550 and \$94,104 for the years ended June 30, 2013 and 2012, respectively.

The Agency has a non-interest bearing note receivable from IHDFC. However, to reflect the time value of money, the asset recorded in the financial statements reflects future payments discounted at an imputed interest rate of 7.8%. The note is due on July 1, 2013 and has an outstanding balance of \$13,991 and \$94,325 (net of unamortized discounts of \$137 and \$4,561) at June 30, 2013 and 2012, respectively. IHDFC pays monthly installments of \$7,071, which began on August 1, 1993.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

June 30, 2013

NOTE 16 - RELATED PARTY TRANSACTION -CONTINUED

Town of Islip

The Agency has an agreement with the Town of Islip in which the Town provides certain services related to code enforcement in designated areas and the Agency provides \$75,000 annually towards payroll.

NOTE 17 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Agency operations are concentrated in providing community services market. In addition, the Agency operates in a heavily regulated environment. The operations of the Agency are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules, and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Annual funding for these programs is subject to change by Congressional legislation and federal budget concerns, and it has been declining in recent years. Federal funding for new or expanded housing and redevelopment programs is not foreseeable; funding for existing federal programs will likely remain near current levels.

Statement of Financial Accounting Standards (SFAS) No. 14 requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenues.

Federal grants provided approximately 74% and 80% of all Agency revenue during the fiscal years ended June 30, 2013 and 2012, respectively. This funding primarily relates to four ongoing programs funded by HUD, including: the CDBG Program (40% in 2013 and 32% in 2012), the HOME Program (8% in 2013 and 16% in 2012), the HOPWA Program (23% in 2013 and 24% in 2012) and NSP (3% in 2013 and 8% in 2012). These programs have a significant impact on the Agency's financial condition.

The Agency has substantial assets including loans and mortgages receivables and land and buildings held for sale that may mitigate the impact of any reduction of federal funding.

Total financial support by HUD for the year ending at June 30, 2013 and 2012 was \$6,054,488 and \$7,582,255, respectively.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

June 30, 2013

NOTE 18- CONTINGENCIES

Litigation – At June 30, 2013, the Agency was not involved in any threatened litigation.

Grants Disallowances – The Agency participates in federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits performed by the federal government could lead to adjustments for disallowed claims, including amounts already collected, and reimbursement by the Agency for expenditures disallowed under the terms of the grant. The Agency's management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

NOTE 19 – SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements were available to be issued, must be evaluated for recognition or disclosed. The effects of subsequent events that provide evidence about conditions that existed after the Statement of Net Position date required disclosure in the accompanying notes. Management has evaluated the activity of the Agency thru February 27, 2014; the date which the financial statements were available for issue and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
COMBINING NET POSITION - COMMUNITY DEVELOPMENT BLOCK GRANT FUND
AS OF JUNE 30, 2013

	<u>EAST ISLIP CONGREGATE</u>	<u>RENTAL UNIT MANAGEMENT</u>	<u>APPLIED TECHNOLOGY CENTER</u>	<u>911 LOWELL AVENUE</u>	<u>COMMUNITY DEVELOPMENT BLOCK GRANT</u>	<u>TOTAL CDBG</u>
Assets						
Cash	\$ 338,839	\$ 467,192	\$ 511,148	\$ 64,151	\$ 1,196,081	\$ 2,577,411
Escrow accounts - client taxes, security deposits	15,015	51,002	8,208	3,056	9,263,735	77,281
Loans Receivable	-	-	-	-	13,991	9,263,735
Loan Receivable - IHDFC	-	-	-	-	252,250	13,991
Grants receivable	6,872	2,345	1,037	1,399	64,483	252,250
Prepaid Items	-	-	-	-	5,801,696	76,136
Land and buildings held for sale	-	-	-	-	53,660	5,801,696
Due from Other Funds	-	-	-	-	-	53,660
Total Assets	<u>\$ 360,726</u>	<u>\$ 520,539</u>	<u>\$ 520,393</u>	<u>\$ 68,606</u>	<u>\$ 16,645,896</u>	<u>\$ 18,116,160</u>
Liabilities						
Accounts Payable	6,847	1,058	6,024	6,069	207,064	227,062
Pension plan payable	2,174	2,490	983	774	41,195	47,616
Due to IHDFC	-	4,782	-	-	-	4,782
Client escrow funds payable	15,015	51,002	8,208	3,056	-	77,281
Deferred Revenue	-	-	-	-	9,277,725	9,277,725
Total Liabilities	<u>24,036</u>	<u>59,332</u>	<u>15,215</u>	<u>9,899</u>	<u>9,525,984</u>	<u>9,634,466</u>
Net Position						
Nonspendable	6,872	2,345	1,037	1,399	5,866,178	5,877,831
Reserved	329,818	458,862	504,141	57,308	1,253,734	2,603,863
Total Net Position	<u>336,690</u>	<u>461,207</u>	<u>505,178</u>	<u>58,707</u>	<u>7,119,912</u>	<u>8,481,694</u>
Total Liabilities and Net Position	<u>\$ 360,726</u>	<u>\$ 520,539</u>	<u>\$ 520,393</u>	<u>\$ 68,606</u>	<u>\$ 16,645,896</u>	<u>\$ 18,116,160</u>

See accompanying notes to the financial statements.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
 COMBINING NET POSITION - COMMUNITY DEVELOPMENT BLOCK GRANT FUND
 AS OF JUNE 30, 2012**

	EAST ISLIP CONGREGATE	RENTAL UNIT MANAGEMENT	APPLIED TECHNOLOGY CENTER	911 LOWELL AVENUE	COMMUNITY DEVELOPMENT BLOCK GRANT	TOTAL CDBG
<u>Assets</u>						
Cash	\$ 306,243	\$ 336,026	\$ 500,844	\$ 51,343	\$ 1,124,884	\$ 2,319,340
Escrow accounts - client taxes, security deposits	16,532	52,324	10,464	3,834	-	83,154
Loans Receivable	-	-	-	-	8,978,062	8,978,062
Loan Receivable - IHDFC	-	-	-	-	94,325	94,325
Grants receivable	-	-	-	-	227,639	227,639
Prepaid Items	6,970	2,448	995	1,379	84,828	96,620
Land and buildings held for sale	-	-	-	-	4,769,753	4,769,753
Due from Other Funds	-	-	-	-	27,637	27,637
Total Assets	<u>\$ 329,745</u>	<u>\$ 390,798</u>	<u>\$ 512,303</u>	<u>\$ 56,556</u>	<u>\$ 15,307,128</u>	<u>\$ 16,596,530</u>
<u>Liabilities</u>						
Accounts Payable	9,477	449	10,263	2,185	185,553	207,927
Pension plan payable	3,753	2,125	-	-	42,085	47,963
Due to IHDFC	-	8,798	-	-	-	8,798
Client escrow funds payable	16,532	52,324	10,464	3,834	-	83,154
Deferred Revenue	-	-	-	-	9,072,388	9,072,388
Total Liabilities	<u>29,762</u>	<u>63,696</u>	<u>20,727</u>	<u>6,019</u>	<u>9,300,026</u>	<u>9,420,230</u>
<u>Net Position</u>						
Nonspendable	6,970	2,448	995	1,379	4,854,581	4,866,373
Reserved	293,013	324,654	490,581	49,158	1,152,521	2,309,927
Total Net Position	<u>299,983</u>	<u>327,102</u>	<u>491,576</u>	<u>50,537</u>	<u>6,007,102</u>	<u>7,176,300</u>
Total Liabilities and Net Position	<u>\$ 329,745</u>	<u>\$ 390,798</u>	<u>\$ 512,303</u>	<u>\$ 56,556</u>	<u>\$ 15,307,128</u>	<u>\$ 16,596,530</u>

See accompanying notes to the financial statements.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
NET POSITION - COMMUNITY DEVELOPMENT BLOCK GRANT FUND
FYE JUNE 30, 2013**

	EAST ISLIP CONGREGATE	RENTAL UNIT MANAGEMENT	APPLIED TECHNOLOGY CENTER	911 LOWELL AVENUE	COMMUNITY DEVELOPMENT BLOCK GRANT	TOTAL CDBG
Revenue:						
Federal aid	\$ -	-	\$ -	-	\$ 2,816,287	\$ 2,816,287
Other program income	699	197,183	-	-	86,839	284,721
Subrecipient program income- - repayment of loans and mortgages	-	-	-	-	715,114	715,114
Use of money and property:						
Rental income	178,612	87,648	102,330	58,435	73,871	500,896
Interest Income	149	153	460	48	1,981	2,791
Total Revenue	<u>179,460</u>	<u>284,984</u>	<u>102,790</u>	<u>58,483</u>	<u>3,694,092</u>	<u>4,319,809</u>
Expenditures:						
Current:						
Residential rehabilitation and development	142,753	98,857	89,188	50,313	2,509,291	2,890,402
Public facilities improvement	-	-	-	-	217,162	217,162
Public service programs	-	-	-	-	34,181	34,181
Commercial rehabilitation and development	-	-	-	-	75,000	75,000
Code enforcement	-	52,022	-	-	290,460	342,482
General	-	-	-	-	-	-
Capital	-	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	130,000	130,000
Interest and other charges	-	-	-	-	18,415	18,415
Total Expenditures	<u>142,753</u>	<u>150,879</u>	<u>89,188</u>	<u>50,313</u>	<u>3,274,509</u>	<u>3,707,642</u>
Excess (deficiency) of Revenue over Expenditures	<u>36,707</u>	<u>134,105</u>	<u>13,602</u>	<u>8,170</u>	<u>419,583</u>	<u>612,167</u>
Other Sources and Uses						
Impairment Recovery (Loss)	-	-	-	-	493,227	493,227
Transfers	-	-	-	-	200,000	200,000
Total Other Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>693,227</u>	<u>693,227</u>
Excess (deficiency) of revenue and other financing sources over expenditures and other uses	<u>36,707</u>	<u>134,105</u>	<u>13,602</u>	<u>8,170</u>	<u>1,112,810</u>	<u>1,305,394</u>
Net Position at Beginning of Year	299,983	327,102	491,576	50,537	6,007,102	7,176,300
Net Position at End of Year	<u>\$ 336,690</u>	<u>\$ 461,207</u>	<u>\$ 505,178</u>	<u>\$ 58,707</u>	<u>\$ 7,119,912</u>	<u>\$ 8,481,694</u>

See accompanying notes to the financial statements.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
NET POSITION - COMMUNITY DEVELOPMENT BLOCK GRANT FUND
AS OF JUNE 30, 2012**

	EAST ISLIP CONGREGATE	RENTAL UNIT MANAGEMENT	APPLIED TECHNOLOGY CENTER	911 LOWELL AVENUE	COMMUNITY DEVELOPMENT BLOCK GRANT	TOTAL CDBG
Revenue:						
Federal aid	\$ -	\$ -	\$ -	\$ -	\$ 2,416,800	\$ 2,416,800
Other program income	1,182	-	-	-	86,746	87,928
Subrecipient program income-- repayment of loans and mortgages	-	-	-	-	929,769	929,769
Use of money and property:						
Rental income	209,023	97,116	101,273	53,402	97,068	557,882
Interest Income	179	307	1,536	116	1,993	4,131
Total Revenue	<u>210,384</u>	<u>97,423</u>	<u>102,809</u>	<u>53,518</u>	<u>3,532,376</u>	<u>3,996,510</u>
Expenditures:						
Current:						
Residential rehabilitation and development	202,489	163,262	73,600	39,395	2,257,661	2,736,407
Public facilities improvement	-	-	-	-	50,000	50,000
Public service programs	-	-	-	-	353,262	353,262
Commercial rehabilitation and development	-	-	-	-	79,161	79,161
Code enforcement	-	-	-	-	75,000	75,000
General	-	54,035	-	-	302,979	357,014
Capital	-	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	120,000	120,000
Interest and other charges	-	-	-	-	19,310	19,310
Total Expenditures	<u>202,489</u>	<u>217,297</u>	<u>73,600</u>	<u>39,395</u>	<u>3,257,373</u>	<u>3,790,154</u>
Excess (deficiency) of Revenue over Expenditures	7,895	(119,874)	29,209	14,123	275,003	206,356
Other Sources and Uses						
Impairment loss	-	-	-	-	(251,000)	(251,000)
Transfers	-	-	-	-	135,000	135,000
Total Other Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(116,000)</u>	<u>(116,000)</u>
Excess (deficiency) of revenue and other financing sources over expenditures and other uses	7,895	(119,874)	29,209	14,123	159,003	90,356
Net Position at Beginning of Year	292,088	446,976	462,367	36,414	5,848,099	7,085,944
Net Position at End of Year	<u>\$ 299,983</u>	<u>\$ 327,102</u>	<u>\$ 491,576</u>	<u>\$ 50,537</u>	<u>\$ 6,007,102</u>	<u>\$ 7,176,300</u>

See accompanying notes to the financial statements.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
COMBINING NET POSITION - OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2013**

	<u>HPRP</u>	<u>EMERGENCY SHELTER</u>	<u>GREEN HOMES</u>	<u>TOTAL OTHER GOVERNMENTAL FUNDS</u>
<u>Assets</u>				
Cash	\$ -	\$ 160	\$ -	\$ 160
Grants receivable	-	7,581	58,434	66,015
Total Assets	<u>\$ -</u>	<u>\$ 7,741</u>	<u>\$ 58,434</u>	<u>\$ 66,175</u>
<u>Liabilities</u>				
Accounts Payable	-	6,311	-	6,311
Due to other funds	-	10	58,434	58,444
Pension plan payable	-	1,270	-	1,270
Total Liabilities	<u>-</u>	<u>7,591</u>	<u>58,434</u>	<u>66,025</u>
<u>Net Position</u>				
Reserved balance	<u>-</u>	<u>150</u>	<u>-</u>	<u>150</u>
Total Net Position	<u>-</u>	<u>150</u>	<u>-</u>	<u>150</u>
Total Liabilities and Net Position	<u>\$ -</u>	<u>\$ 7,741</u>	<u>\$ 58,434</u>	<u>\$ 66,175</u>

See accompanying notes to the financial statements.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
COMBINING NET POSITION - OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2012**

	<u>HPRP</u>	<u>EMERGENCY SHELTER</u>	<u>GREEN HOMES</u>	<u>TOTAL OTHER GOVERNMENTAL FUNDS</u>
<u>Assets</u>				
Cash	\$ -	\$ 160	-	\$ 160
Grants receivable	7,740	42,340	27,627	77,707
Total Assets	<u>\$ 7,740</u>	<u>\$ 42,500</u>	<u>\$ 27,627</u>	<u>\$ 77,867</u>
<u>Liabilities</u>				
Accounts Payable	7,740	42,340	-	50,080
Due to other funds	-	10	27,627	27,637
Pension plan payable	-	-	-	-
Total Liabilities	<u>7,740</u>	<u>42,350</u>	<u>27,627</u>	<u>77,717</u>
<u>Net Position</u>				
Reserved balance	-	150	-	150
Total Net Position	<u>-</u>	<u>150</u>	<u>-</u>	<u>150</u>
Total Liabilities and Net Position	<u>\$ 7,740</u>	<u>\$ 42,500</u>	<u>\$ 27,627</u>	<u>\$ 77,867</u>

See accompanying notes to the financial statements.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
 NET POSITION - OTHER GOVERNMENTAL FUNDS
 FYE JUNE 30, 2013**

	HPRP	EMERGENCY SHELTER	GREEN HOMES	TOTAL OTHER GOVERNMENTAL FUNDS
<u>Revenue:</u>				
Federal Aid	-	\$ 43,517	\$ 124,484	\$ 168,001
Total Revenue	-	43,517	124,484	168,001
<u>Expenditures:</u>				
Current:				
Residential rehabilitation and development	-	32,020	124,484	156,504
General	-	11,497	-	11,497
Total expenditures	-	43,517	124,484	168,001
Excess (deficiency) of revenue over expenditures	-	-	-	-
Net Position at Beginning of Year	-	150	-	150
Net Position at End of Year	\$ -	\$ 150	\$ -	\$ 150

See accompanying notes to the financial statements.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
 NET POSITION - OTHER GOVERNMENTAL FUNDS
 AS OF JUNE 30, 2012**

	HPRP	EMERGENCY SHELTER	GREEN HOMES	TOTAL OTHER GOVERNMENTAL FUNDS
Revenue:				
Federal Aid	\$ 248,051	\$ 111,183	\$ 98,646	\$ 457,880
Total Revenue	248,051	111,183	98,646	457,880
Expenditures:				
Current:				
Residential rehabilitation and development	237,743	111,183	98,646	447,572
General	10,308	-	-	10,308
Total expenditures	248,051	111,183	98,646	457,880
Excess (deficiency) of revenue over expenditures	-	-	-	-
Net Position at Beginning of Year	-	150	-	150
Net Position at End of Year	\$ -	\$ 150	\$ -	\$ 150

See accompanying notes to the financial statements.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2013**

<u>Agency and Program Grant Title</u>	<u>CFDA#</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development:		
Community Development Block Grant	14.218	\$ 3,246,256
Emergency Solution Grant Program	14.231	43,517
HOME Investment Partnership Program	14.239	685,822
Housing Opportunities for Person with AIDS	14.241	<u>1,883,954</u>
Total U.S. Department of Housing and Urban Development		<u>5,859,549</u>
U.S. Department of Energy		
Energy Efficiency and Conservation Block Grant	81.128	<u>194,938</u>
Total Awards		<u><u>6,054,487</u></u>

Note 1. Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Islip Community Development Agency. The information in this schedule is presented in accordance with those requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of Town of Islip Community Development Agency, it is not intended to and does not present the financial position, change in net position of the Town of Islip Community Development Agency.

Note 2. Summary of Significant Accounting Policies:

Basis of Accounting

The expenditures for each of the federal financial assistance programs are presented in the schedule on a modified accrual basis. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowed or limited as to reimbursement.

Matching Costs

The nonfederal shares of certain program costs are not included in the schedule.

Note 3. Sub recipients:

Expenditures and Expenses

When monies are received by title Agency and redistributed (expended) to a sub recipients, the federal financial assistance is reflected in the Agency's accounts. The total expenditures for sub recipients amounted to \$1,712,862 during the year ended June 30, 2013.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2013
(Continued)**

Note 4. Loans Outstanding:

Town of Islip Community Development Agency has the following loan balances outstanding at June 30, 2013. These outstanding loan balances are not included in the schedule of expenditures of federal awards.

<u>Agency and Program Grant Title</u>	<u>CFDA#</u>	<u>Amount Outstanding</u>
Community Development Block Grant	14.218	\$ 9,277,725
HOME Investment Partnership Program	14.239	3,855,212
		<u>\$ 13,132,937</u>

Note 5. Land and Building Held for Sale:

Town of Islip Community Development Agency has the following land and building held for sale at June 30, 2013. These balances are not included in the schedule of expenditures of federal awards.

<u>Agency and Program Grant Title</u>	<u>CFDA#</u>	<u>Amount Outstanding</u>
Community Development Block Grant	14.218	\$ 7,660,726
HOME Investment Partnership Program	14.239	2,155,720
		<u>\$ 9,816,446</u>



Hymanson, Parnes & Giampaolo

Certified Public Accountants

tele: 732-842-4550
fax: 732-842-4551

467 Middletown-Lincroft Rd.
Lincroft, NJ 07738

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 GOVERNMENTAL AUDITING STANDARDS

Board of Directors
Town of Islip Community Development Agency

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 Town of Islip Community Development Agency (hereafter referred to as the Agency), which comprise the statement of net position as of June 30, 2013 and the related statements of revenue, expenses and changes in net position, statement of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 27, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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 Town of Islip Community Development Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Islip Community Development Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: February 27, 2014



Hymanson, Parnes & Giampaolo

Certified Public Accountants

tele: 732-842-4550
fax: 732-842-4551

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Lincroft, NJ 07738

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

Board of Directors
Town of Islip Community Development Agency

Report on Compliance

We have audited the Town of Islip Community Development Agency's (hereafter referred to as the Agency), compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* applicable to Agency's major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs .

Management's Responsibility for Compliance

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 the Town of Islip Community Development Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the Town of Islip Community Development Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Town of Islip Community Development Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Town of Islip Community Development Agency is responsible for establishing and maintaining effective internal control over compliance with the type 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 circumstance 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 the Agency's internal control over compliance.

A deficiency in internal control over compliance 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, 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 compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. 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.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: February 27, 2014

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Schedule of Findings, Questioned Costs, and Recommendations Year Ended June 30, 2013

Prior Audit Findings

None reported

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statement of the Town of Islip Community Development Agency.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of Town of Islip Community Development Agency were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*.
5. The auditor's report on compliance for the Housing Opportunities for Person with AIDS Program expresses an unmodified opinion.
6. No Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 in this Schedule.
7. The program tested as major program were
 - a. Housing Opportunities for Person with AIDS Program, CFDA#14.241 with expenditures of \$1,883,954
8. The threshold used for distinguishing between Type A and B programs was \$300,000
9. Town of Islip Community Development Agency qualified as a low risk auditee.

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY

Schedule of Findings, Questioned Costs, and Recommendations
Year Ended June 30, 2013

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported

FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported