

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



FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

Prepared by:
Anne L. LaMorte
Financial Manager, CFO

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

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

*FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014*



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

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(A Component Unit of the City of Glen Cove, New York)

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For The Year Ended December 31, 2014

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INTRODUCTORY SECTION



MAJOR INITIATIVES

Glen Cove Waterfront Revitalization Project

History and Major Milestones of the Project

The CDA, IDA and the City have been working together to reclaim the contaminated former industrial properties on the south side Glen Cove Creek and restore them to productive use and put them back on the tax rolls. The Project is located in Glen Cove's Urban Renewal Area and in a Nassau County Empire Zone.

The City and its federal, state and local partners have been remediating over 56 +/- acres along Glen Cove Creek including the Captain's Cove Superfund site, LI Tungsten Superfund site, and the Gladsky and Doxey properties. Special economic development funding will be necessary for the completion of this Urban Renewal Project. The CDA manages the activities which will assist with the disposition and redevelopment. Activities may include further site investigation and cleanup support, surveying, professional engineering, appraisal services, legal services, and payments of interest on a two Section 108 Loans. The loans were used to purchase and clean-up the properties along the waterfront.

In 2003, the Glen Cove IDA signed a Land Disposition Agreement ("LDA") with a private developer for the redevelopment of 56 +/- acres along the north side of Glen Cove Creek. The mixed-use development will include residential units, commercial space, restaurants, and 19+ acres of public parks. An esplanade will provide public access to the waterfront.

The Redeveloper designed a development plan to incorporate environmental and construction strategies that will restore the property to safe and productive reuse. The project began when an amended Conceptual Site Plan, ("CSP") was submitted to the Glen Cove Planning Board in October 2008. In 2009, the Planning Board approved the Final

Scope for the Draft Generic Environmental Impact Statement ("DGEIS") The Final Environmental Impact Statement FEIS was approved by the Planning Board on December 18, 2011. This overall plan was reviewed and approved by the IDA and CDA boards and presented to the City of Glen Cove Planning Board and approved on December 18, 2011.

The FEIS includes 860 residential units, including 180 rental apartments and 86 units of workforce housing; a 250 suite luxury hotel including banquet and meeting facilities, a luxury spa, and restaurant; 50,000 sq. ft. of office space; 25,000 sq. ft. of retail space and restaurants, including outdoor dining at the head of the creek overlooking Hempstead Harbor; 85 new boat slips; and nearly 20 acres of accessible public open space along the waterfront.

Construction was completed in 2012 for Ferry Terminal Phase I, the docks, boat basin and ferry terminal building slab. The project was funded by the New York State Department of Transportation "NYSDOT", Empire State Development ("ESD") and the City's matching share and the grant was administered by the CDA. Final closedown of the project was completed by the CDA by the end of 2014 with final reimbursement expected in early 2015.

Esplanade Phase II, around the Mill Pond that connects the downtown to the waterfront was completed in 2012. The project was funded by the NYSDOT and the grant was administered by the CDA. Final closedown of the project was completed by the CDA by the end of 2014 with final reimbursement expected in early 2015.

2014 Accomplishments

In January 2014, a contract was awarded for the construction of the ferry terminal building that is anticipated to be completed in the fall of 2015. Funding is provided by the NYSDOT, ESD and the City of Glen Cove. Grant support services are provided by the CDA.

The CDA/City with the assistance of the United States Department of Transportation (“USDOT”) retained a ferry operator consultant in 2014 to assist the City with the selection of a ferry operator. Commuter ferry service will commence once the building is operational and safe access can be provided to the ferry terminal.

In 2014 the city appraised 13 de minimis parcels of property required for the construction of the Herb Hill/Garvies Point Road. These parcels include: IDA property at Captain’s Cove, Doxey, LI Tungsten (parcels A, B and C) and once CDA property at Gladsky. The properties will be transferred by mid-2015, following NYDOT regulations, to the City, who will own and maintain the road.

The City’s road consultants have been working to complete the road design and will be submitting final Plans, Specifications & Estimate (“PS&E”) to NYSDOT and the Federal Highway Administration (FHWA) in March 2015. Approval by the agencies will allow the project to activate funding on the New York State Transportation Plan (NYSTIP”). Construction is expected to begin in the second half of 2015.

The Glen Cove Planning Board and the Nassau County Planning Commission approved the design of the redeveloper’s Phase One of the Waterfront. Construction is anticipated to begin in the second half of 2015. It is projected that 9,500 construction jobs will be created and 600 full time jobs upon the completion of all phases of the project, along with \$17M in annual tax revenues for the various authorities. Phase Two and Three will be presented to the Planning Board in mid-2015.

Grants Awarded in 2014

The CDA submitted applications to the New York State Consolidated Financial Application, (“CFA”). In November 2014, the City of Glen Cove was awarded a total of \$600,000 in grant monies with a match of \$600,000. The NYS

Department of State (“NYSDOS”) will manage the funds and the CDA will be the grant administrator. The funding will provide for planning for the south side of Glen Cove Creek. The 9.9 acre site is the location of the soon to be demolished incinerator. Monies will be used for contractual services for the conceptual design and detailed design of waterside recreational assets including parking lot enhancements, trails, and facility/field design. This project will be situated adjacent to a regionally used 19-acre park, pedestrian and bike connections between the City’s waterfront and downtown and will strengthen the City’s residential areas while expanding the City’s greenbelt.

Glen Cove Residential Rehabilitation Project-CDBG

In 2014, the CDA/City identified the need for home repairs that are affordable for the senior and disabled low/moderate income population. The CDA reinstated the residential rehabilitation program giving income-qualified applicants funds to make needed home repairs. Two homeowners were helped in 2014.

Glen Cove Commercial Rehabilitation Project-CDBG

In 2014, funds were transferred to the commercial rehab façade program budget to assist the movie theater with its marquis and the Downtown Café with awnings, vestibule and signage for the outside façade of the restaurant. The CDA will continue its commercial rehab efforts by identifying needs within the census tracts eligible for the program. The program is designed to encourage new development and retain existing business.

Long-Term Financial Planning

At present, the redevelopment of the Waterfront constitutes a primary and significant function of the Agency. The Waterfront Strategic Plan along with the

potential of affordable housing projects is a key component of the Agency's commitment to long-term fiscal responsibility, accountability and efficiency. The financial plan includes projections of the Agency's activities, related sources and uses of funding, including but not limited to CDBG and grant assistance. The goal is to encourage, sustain and develop economic stability and growth for the City of Glen Cove.

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

Relevant Financial Policies

To achieve the goal of providing outstanding, cost-effective services, the Agency applies best management practices and policies. Such financial management practices have been identified by the Authority Budget Office ("ABO"), Office of the State Comptroller, ("OSC") and the Government Finance Officers Association of the United States and Canada ("GFOA"). The Agency's policies include the following: Procurement, investment, comprehensive CDA Bylaws, CDA Code of Ethics, Property Disposition, Employee Compensation Policy, EEO Policy, Whistle Blower, and Travel and Meal Policy. Additional information regarding these policies may be found on our website, www.glencovecda.org.

Strategic plan

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

CDBG Program Plan

Every year the Agency files an application and enters into an agreement with the Nassau County Office of Economic Development to receive CDGB funds, for the federal fiscal year, September 1st to August 31st. The application includes a three year plan for the next and following two grant years and a budget for the

upcoming fiscal year. The Agency's proposed agreement is prepared by the Executive Director and approved by the Board after a Public Hearing. Activities included in the application must meet the national objectives of the program (benefiting low and moderate income person defined as below 80% of Nassau County's median income) and/or aiding in the prevention or elimination of slums or blight.

Annual Plan of the Board.

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

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

Borrowing for Capital Projects

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

Financial Reporting and Compliance

The Audit Committee of the Board oversees the financial reporting activities, results of operations, internal controls, and planned and long-term commitments. The Audit Committee oversees and monitors the Agency's compliance with current laws and regulations and applicable ethical standards, as well as conflicts of interest and fraud policies. The Audit Committee is composed of

the Treasurer and a Board member. The Treasurer is a certified public accountant and also serves as the Vice-Chairman. Meetings are held at least twice a year.

The Agency presents a set of disclosures in the Agency's adopted Budget document and the Consolidated Annual Financial Report ("CAFR").

Investments

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

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

Respectfully submitted,

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

LIST OF APPOINTED OFFICIALS

CHAIRMAN

Mayor Reginald A. Spinello



BOARD OF DIRECTORS

TREASURER & VICE CHAIRMAN

Vincent Hartley, CPA

MEMBERS

Lindsay Anderson

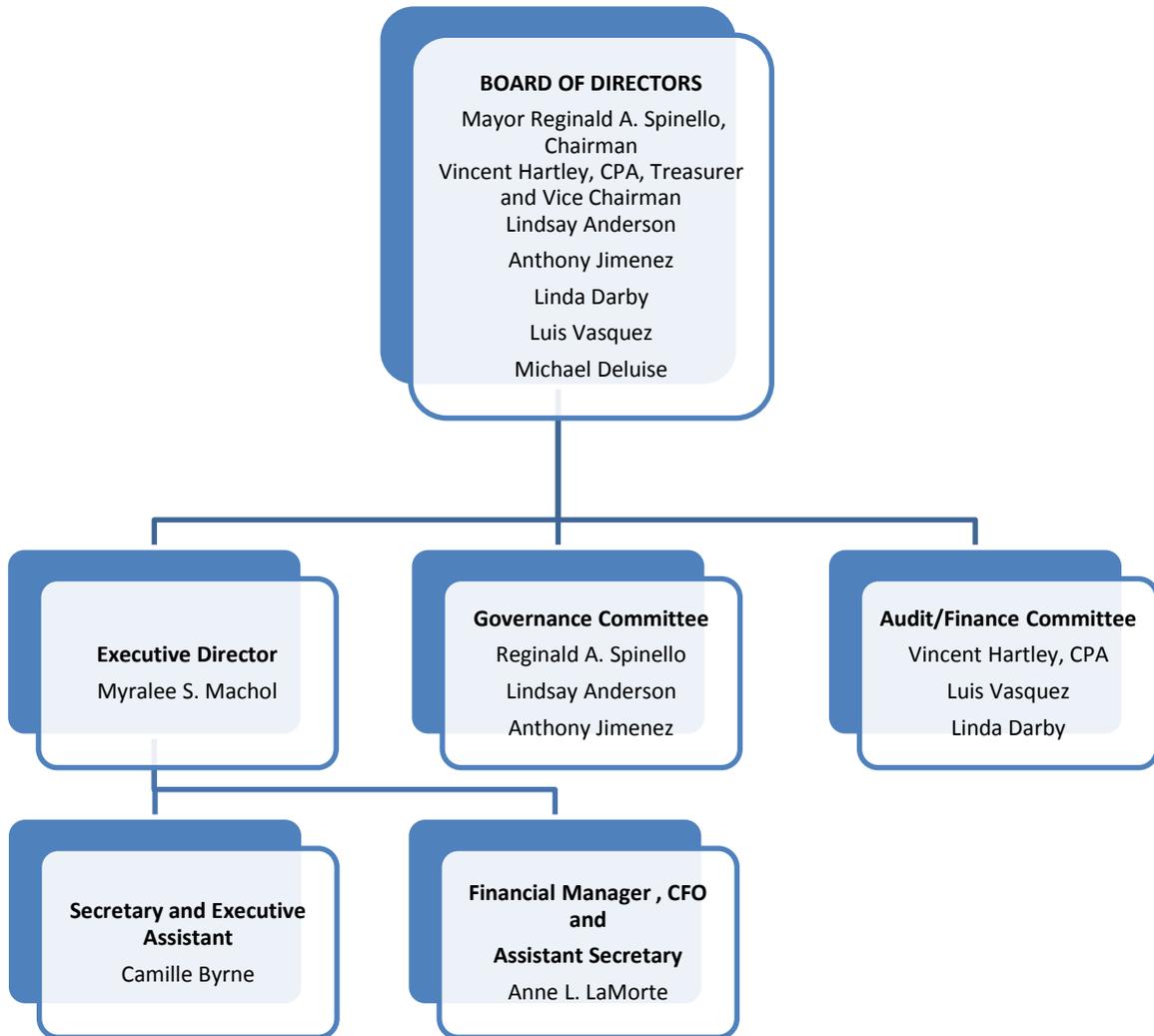
Anthony Jimenez

Linda Darby

Luis Vasquez

Michael DeLuise

CITY OF GLEN COVE COMMUNITY DEVELOPMENT AGENCY ORGANIZATIONAL CHART



FINANCIAL SECTION



BASIC FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the Glen Cove Community Development Agency (CDA), a component unit of the City of Glen Cove, New York, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the CDA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the CDA as of December 31, 2014, and the respective changes in net position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 10 through 18 and page 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Glen Cove Community Development Agency's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on page 52 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is also not a required part of the basic financial statements.

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2015, on our consideration of the CDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the IDA's internal control over financial reporting and compliance.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 30, 2015

**GLEN COVE COMMUNITY DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

INTRODUCTION

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

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

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

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

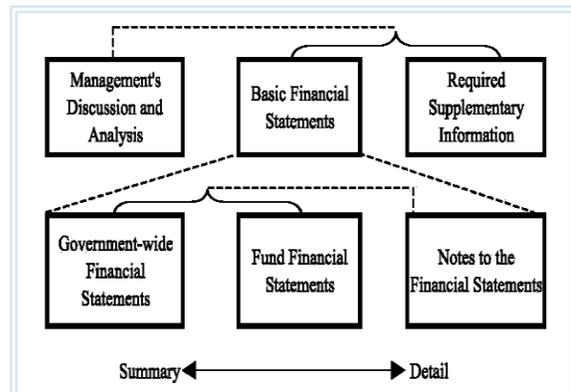
This discussion and analysis serves as an introduction to the CDA's basic financial statements.

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

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

This report also contains other supplementary information in addition to the

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



Government-wide Financial Statements

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

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

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

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

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

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

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

Fund Financial Statements

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

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

Governmental Fund

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in governmental funds with similar information presented for governmental activities in government-wide financial statements. There are reconciliations following the governmental

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

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

Proprietary Fund

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

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

Notes to the Financial Statements

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

BEYOND THE BASIC FINANCIAL STATEMENTS

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

budgetary information as other supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Financial Highlights

The CDA's financial condition increased in 2014, despite reductions in Housing Assistance grants from HUD. The following list summarizes the CDA's financial performance for fiscal year 2014 and 2013.

- The CDA had total net position of \$2,316,652 December 31, 2014, a decrease of \$39,826 (1.8%) from the \$2,276,826 at December 31, 2013.
- The CDA's net position of governmental activities increased by \$76,454, (4%) from \$1,942,713 in 2013 to \$2,019,167 in 2014. This increase was the result of transfers made to the CDA from the Housing Choice Voucher Program to repay the CDA for prior administrative deficits funded by the CDA.
- The net position of the business-type activities decreased by \$36,628, (13%) from \$334,113 in 2013 to \$297,485 in 2014. The decrease was due to for housing assistance payments exceeding grant revenues for the year.
- The CDA's total governmental activities liabilities were \$9,565,136 and long-term debt, including the current portion, was \$9,503,511 at December 31, 2014. Long-term debt payable included \$6,732,327 of Section 108 loan and \$2,133,550 due to the City of Glen Cove. The CDA repaid the City of Glen Cove for the EFC loan of \$755,000, in December of 2014. The CDA repaid \$500,000 of this loan during 2013.
- Restricted net position increased by \$33,909 from \$971,539 in 2013 to \$1,005,448 in 2014. Restricted funds include the Community Development

Block Grant and Section 8 Tenant-Based Housing choice Voucher grant funds.

Net Position

At December 31, 2014, total assets of the governmental activities were \$11,584,303 while total liabilities were \$9,565,136 resulting in net position of \$2,019,167 (Table 1 and Charts 1 and 2). Capital assets, less accumulated depreciation and related debt of \$637,200, were \$1,302,206 at December 31, 2014. Measurement of capital assets less related debt reflects net position invested in capital assets (land and equipment).

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

On December 31, 2014, the governmental activities had \$716,961 in restricted net position. As of December 31, 2014, the total assets of the Section 8 Program were \$662,851 and its total liabilities and net

position were \$365,366 and \$297,485 respectively. A summary statement of net position is presented in Table 1. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the CDA, governmental activities assets exceeded liabilities by \$2,019,167 and \$1,942,713 at December 31, 2014 and 2013, respectively. This represents an increase in 2014 of net position of \$76,454 compared to the prior fiscal year.

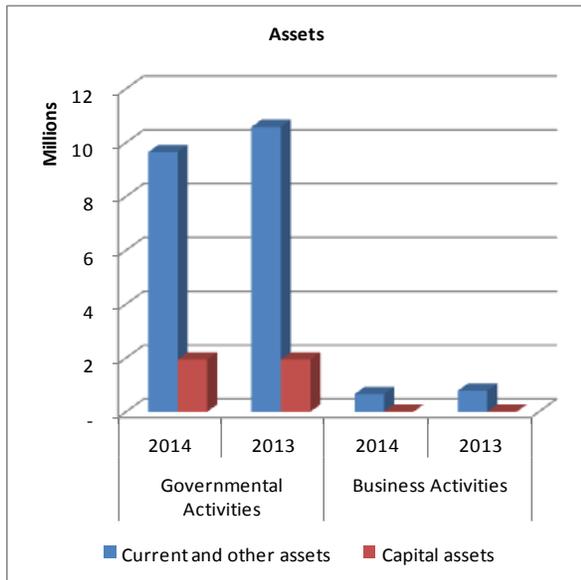
The largest category of CDA assets reflects its significant investment in non-current assets. Receivables from the Glen Cove Industrial Development Agency account for \$9,751,596 of the total assets.

Capital assets of governmental activities primarily include the Waterfront road. Total capital assets were \$1,939,406 at December 31, 2014. The road was acquired at a cost of \$1,937,200, by the funds from the CDA's program income and \$637,200 debt to the City. The CDA has utilized the road to provide infrastructure for the Waterfront properties (Chart 1).

TABLE 1

| | SUMMARY OF NET POSITION AS OF DECEMBER 31, 2014 AND 2013 | | | | | |
|-------------------------------------|---|---------------------|--------------------------|------------------|---------------------|---------------------|
| | Governmental Activities | | Business Type Activities | | Total | |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Assets | | | | | | |
| Current and other assets | \$9,644,897 | \$10,581,716 | \$653,853 | \$779,942 | \$10,298,750 | \$11,361,658 |
| Capital assets | 1,939,406 | 1,941,035 | 8,998 | 1,452 | \$1,948,404 | \$1,942,487 |
| Total Assets | \$11,584,303 | \$12,522,751 | \$662,851 | \$781,394 | \$12,247,154 | \$13,304,145 |
| Liabilities | | | | | | |
| Long term liabilities outstanding | \$9,503,511 | \$10,541,290 | \$358,860 | \$437,505 | \$9,862,371 | \$10,978,795 |
| Other liabilities | 61,625 | 38,748 | 6,506 | 9,776 | 68,131 | 48,524 |
| Total liabilities | 9,565,136 | 10,580,038 | 365,366 | 447,281 | 9,930,502 | 11,027,319 |
| Net position | | | | | | |
| Capital assets, net of related debt | 1,302,206 | 1,303,835 | 8,998 | 1,452 | 1,311,204 | 1,305,287 |
| Restricted | 716,961 | 638,878 | 288,487 | 332,661 | 1,005,448 | 971,539 |
| Total net position | \$2,019,167 | \$1,942,713 | \$297,485 | \$334,113 | \$2,316,652 | \$2,276,826 |

CHART 1



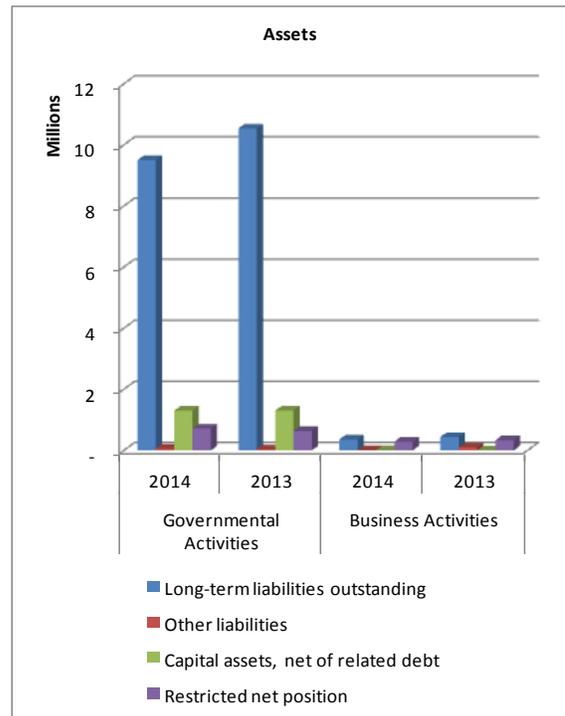
The CDA's net restricted position of \$1,005,448 for the current year represent resources that are subject to external restrictions on how they may be utilized. In the case of the CDA, these restrictions are primarily related to the compliance requirements of the Community Development Block Grant and the Public Housing Choice Voucher programs funded by the U.S. Department of Housing and Urban Development (Chart 2).

Changes in Net Position

The Agency's program revenues accounted for almost 100% of the revenues in 2014. The total program revenues from operating grants was \$4,990,070 for governmental and business type activities in 2014 (Table 2 and Chart 3). The program revenues from operating grants decreased by \$277,295 from \$5,276,365 reported at the end of 2013. The decrease was primarily due to a decrease in funding from Section 8 Housing Choice Programs. The general revenues from interest earned were \$258 and \$208 in 2014 and 2013, respectively.

The Section 8 Program had net position of \$297,485 at December 31, 2014. HUD considers the availability of net position in providing additional revenues to the Section 8 Program. The Section 8 Program housing expenditures and administrative fees are affected by the availability of suitable housing units, the 340 unit limitation on the number of housing units that can be leased and the income levels of the applicants.

CHART 2



In 2014, the total expenses of the Agency were \$4,959,502, a decrease of \$520,930 over the previous year (Table 2 and Chart 3). The decrease in expenses was primarily due to decreases in housing assistance payments. The expenses of the business type activities decreased by \$590,441 from \$5,121,899 in 2013 to \$4,531,458 in 2014. The decrease was primarily due to lower housing assistance payments as a result of decreases in housing costs and number of units rented.

A certain portion of the Agency economic development expenditures from CDBG funds are on behalf of and are reimbursable by IDA. These expenditures are recorded as due from IDA. The balance of CDBG funds pays the expenses of the Agency. In 2014, the expenditures from CDBG funds were \$337,671, showing a decrease of \$17,494 from the previous year.

Home and community services constituted the largest portion of expenses and culture and recreation expenses represented less

than 1% of the total, in 2014 and 2013 (Chart 3).

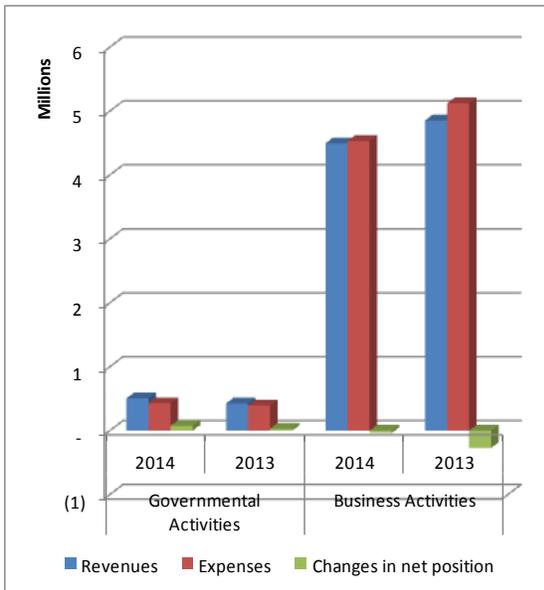
The net position of governmental activities increased by \$76,454 for the year ended December 31, 2014 and decreased by \$90,150 for the year ended December 31, 2013.

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

TABLE 2

| | CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 | | | | | |
|---|---|--------------------|--------------------------|------------------|--------------------|--------------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| Revenues | | | | | | |
| Operating grants | \$504,448 | \$424,361 | \$4,494,622 | \$4,852,004 | \$4,999,070 | \$5,276,365 |
| Interest | 50 | - | 208 | 208 | 258 | 208 |
| Total revenues | <u>504,498</u> | <u>424,361</u> | <u>4,494,830</u> | <u>4,852,212</u> | <u>4,999,328</u> | <u>5,276,573</u> |
| Expenses | | | | | | |
| Culture and recreation | 35,000 | 35,000 | - | - | 35,000 | 35,000 |
| Home and community | 393,044 | 358,533 | 4,531,458 | 5,121,899 | 4,924,502 | 5,480,432 |
| Total expenses | <u>428,044</u> | <u>393,533</u> | <u>4,531,458</u> | <u>5,121,899</u> | <u>4,959,502</u> | <u>5,515,432</u> |
| Change in net position before transfers | 76,454 | 30,828 | (36,628) | (269,687) | 39,826 | (238,859) |
| Transfers out (in) | - | (120,978) | - | 120,978 | - | - |
| Change in net position | 76,454 | (90,150) | (36,628) | (148,709) | 39,826 | (238,859) |
| Net position, beginning | <u>1,942,713</u> | <u>2,032,863</u> | <u>334,113</u> | <u>482,822</u> | <u>2,276,826</u> | <u>2,515,685</u> |
| Net position, ending | <u>\$2,019,167</u> | <u>\$1,942,713</u> | <u>\$297,485</u> | <u>\$334,113</u> | <u>\$2,316,652</u> | <u>\$2,276,826</u> |

CHART 3



Governmental Funds

Total assets of the Agency’s General Fund were \$10,032,425 in 2014 as compared to \$11,080,921 in 2013. The decrease of \$1,048,496, (9%) in 2014 is primarily the result of a reduction in the receivable from the IDA for repayment of the EFC and 108 loans.

Total liabilities and deferred inflows of the General Fund decreased from \$9,548,576 in 2013 to \$8,437,809 in 2014. The decrease is primarily the result of paying down \$755,000 in EFC debt and \$360,000 of the Section 108 loan principal during 2014.

At December 31, 2014, the amount due from governmental activities to business-type activities was \$387,528. The balance decreased by \$111,677 in 2014 and by \$112,695 in 2013. The amount due from governmental activities to business-type activities essentially includes the OPEB and accrued compensated absence expenses of the Section 8 Program that will be paid from the Agency’s General Fund as they become due.

The Agency had a general fund balance of \$1,145,463 in 2014 as compared to \$994,392 in 2013, an increase of \$151,071 (15%).

In 2014, the revenues of the General Fund were \$504,448 and for 2013 and 2012 were \$424,361 and \$437,180 respectively.

The CDA borrowed \$43,496 and \$36,272 of Section 108 loan for the development of Waterfront properties, in 2014 and 2013, respectively. The CDA also repaid \$360K of principal in 2014 on the Section 108 loans.

Under the Employer Contribution Stabilization program in provision 57, Laws of 2010, the CDA elected to defer 2012 retirement plan contributions of \$27,417. Repayment will be for a 10 year period at 3% interest.

In 2014, the current expenditures of general Fund were \$353,427, \$14,981 lower than the previous year.

The expenditures for home and community service, decreased by \$10,200 (3.4%), from \$297,264 in 2013 to \$287,064 in 2014. The expenditures for culture and recreation remained the same for 2014 and 2013, and general administrative expenses decreased by \$3,606, (19%) in 2014 and \$2,670, (14%) in 2013.

Capital Assets

As of December 31, 2014 the capital assets of the CDA were as follows:

TABLE 3

| CAPITAL ASSETS DECEMBER 31, 2014 | |
|-------------------------------------|-----------------|
| | Amount |
| Waterfront road | \$1,937,200 |
| Equipment | <u>54,972</u> |
| Total capital assets | 1,992,172 |
| Less: Accumulated depreciation | <u>(43,768)</u> |
| Total capital assets, net | \$1,948,404 |

The Agency owes \$673,200 to the City for the acquisition of the Connector Road. The Section 8 Program capital assets include \$41,816 of equipment with accumulated depreciation of \$32,818. For additional information, please refer to the notes to the financial statements, Note 4 "Capital Assets".

Debt Administration

At December 31, 2014, long-term liabilities of the governmental activities were \$9,386,864 and accounted for 99% of the total liabilities of \$9,565,136. Long-term liabilities include the amount of \$6,732,327 borrowed for the Waterfront Development Project in Section 108 loans, \$2,133,550 due to the City of Glen Cove, \$353,251 for OPEB, \$24,649 notes payable to the NYS Employees Retirement System, \$235,616 interest and principal for the Brownfield Revolving Loan Fund and \$24,118 for compensated absences.

Initially, the CDA had borrowed \$6,000,000 from HUD as a Section 108 Loan. The repayment of this loan is guaranteed by the future Community Development Block Grant funds of the CDA. Subsequently, the City of Glen Cove borrowed \$1,255,000, from the New York State Environmental Facilities Corporation, at a lower interest rate and paid off a part of the Section 108 loan. \$500,000 of this EFC loan was paid in 2013 and the remaining balance of \$755,000 was paid in December 2014.

The Section 108 loans have provided the CDA with a source of financing for the large-scale physical development of the Waterfront Properties that are owned by the Glen Cove Industrial Development Agency. This loan has allowed the CDA to transform a small portion of its CDBG funds into federally guaranteed loans large enough to pursue its physical and economic revitalization projects that has renewed the entire neighborhood. This public investment was needed for the environmental cleanup and to inspire private economic activity. Section 108 loans are not risk-free, however; the CDA has guaranteed

the Section 108 loans by pledging its current and future CDBG allocations as security. For additional information, please refer to the notes to the financial statements.

The CDA owes a total of \$2,133,550 to the City for the waterfront expenditures. For additional information on long-term debt activity, please refer to Note 7 "Long Term Debt".

Retirement

The New York State Employees' Retirement System has suffered from the effects of the weak stock market conditions over the last several years. As a result, the system has required additional contributions from the CDA in excess of the amounts budgeted. The CDA issued a note to the Retirement System to cover the additional 2012 liability. The note bears an annual interest rate of 5% and is amortized over a period of ten years. The outstanding balance of this note at December 31, 2014 is \$0. A payment of \$2,184 was made in December 2014.

In prior years, the CDA elected to finance portions of New York State Employees' Retirement System contributions over a 10 year period. During 2014, these notes were reduced by \$4,647.

Federal Aid

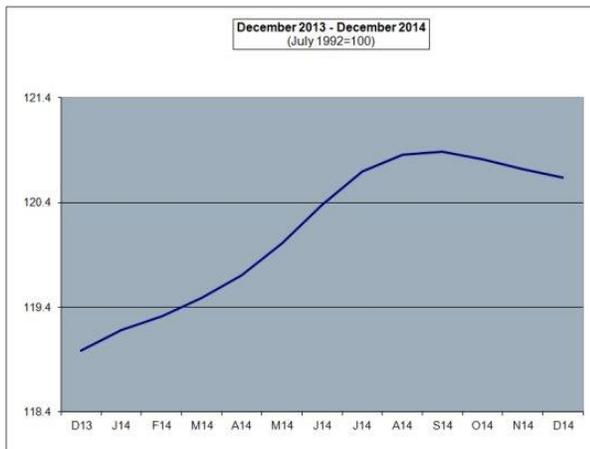
The CDA receives financial assistance from the United States Department of Housing and Urban Development (HUD). The Community Development Block Grant funds pass through the County of Nassau Office of Community Development. The Section 8 Housing Choice Voucher Program Funds are received directly from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

ECONOMIC FACTORS AND NEXT YEAR'S PLAN

In December 2014, the New York State Department of Labor's Index of Coincident Economic Indicators (ICEI) for New York State decreased at an annual rate of 0.8%. This follows an annual rate of decrease of 0.9% in November 2014. Over the past year, the ICEI has increased by 1.4%.

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

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



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

| INCREASE IN CONSUMER PRICE INDEX (CPI) | |
|--|-----------------------------|
| Year | Average Percentage Increase |
| 2010 | 2.0 |
| 2011 | 2.3 |
| 2012 | 2.3 |
| 2013 | 1.5 |
| 2014 | 1.0 |

The Agency has considered the above and other factors in developing its plan for the next year. The CDA, in cooperation with the City of Glen Cove and the Glen Cove Industrial Development Agency, plans to continue its efforts in redevelopment of the Waterfront Property.

Contacting the CDA's Financial Management

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

BASIC FINANCIAL STATEMENTS:
GOVERNMENT-WIDE FINANCIAL STATEMENTS



**GLEN COVE COMMUNITY DEVELOPMENT AGENCY
STATEMENT OF NET POSITION
DECEMBER 31, 2014**

| Assets | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|---------------------|
| Cash and cash equivalents | \$ 65,599 | \$ 240,655 | \$ 306,254 |
| Receivable from other governments | 78,433 | - | 78,433 |
| Other receivables: | | | |
| Due in one year | - | 25,670 | 25,670 |
| Due from (to) other funds | (387,528) | 387,528 | - |
| Due from City of Glen Cove | 136,797 | - | 136,797 |
| Due from Industrial Development Agency | 9,751,596 | - | 9,751,596 |
| Capital assets: | | | |
| Roadway | 1,937,200 | - | 1,937,200 |
| Other capital assets, net of depreciation | <u>2,206</u> | <u>8,998</u> | <u>11,204</u> |
| Total assets | <u>11,584,303</u> | <u>662,851</u> | <u>12,247,154</u> |
| Liabilities | | | |
| Accounts payable accrued expenses | 61,625 | 6,506 | 68,131 |
| Non-current liabilities: | | | |
| Due in one year | 380,647 | - | 380,647 |
| Due in more than one year | <u>9,122,864</u> | <u>358,860</u> | <u>9,481,724</u> |
| Total liabilities | <u>9,565,136</u> | <u>365,366</u> | <u>9,930,502</u> |
| Net position | | | |
| Net investment in capital assets | 1,302,206 | 8,998 | 1,311,204 |
| Restricted for: | | | |
| Section 8 Housing Choice Voucher Program | - | 288,487 | 288,487 |
| Community Development Block Grant Program | <u>716,961</u> | <u>-</u> | <u>716,961</u> |
| Total net position | <u>\$ 2,019,167</u> | <u>\$ 297,485</u> | <u>\$ 2,316,652</u> |

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

**GLEN COVE COMMUNITY DEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

| Functions/Programs | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense) Revenue and Changes in Net Position</u> | | |
|----------------------------------|-----------------------|------------------------------------|-----------------------------|--|--|---------------------|
| | | <u>Charge for Services</u> | <u>Operating Grants</u> | <u>Governmental Activities</u> | <u>Business- Type Activities</u> | <u>Total</u> |
| Governmental activities: | | | | | | |
| Culture and recreation | \$ (35,000) | \$ - | \$ 35,000 | \$ - | \$ - | \$ - |
| Home and community | (393,044) | - | 469,448 | 76,404 | - | 76,404 |
| Business-type Activities: | | | | | | |
| Housing assistance | <u>(4,531,458)</u> | <u>-</u> | <u>4,494,622</u> | <u>-</u> | <u>(36,836)</u> | <u>(36,836)</u> |
| Total | <u>\$ (4,959,502)</u> | <u>\$ -</u> | <u>\$ 4,999,070</u> | 76,404 | (36,836) | 39,568 |
| General revenues: | | | | | | |
| Interest | | | | <u>50</u> | <u>208</u> | <u>258</u> |
| Change in net position | | | | 76,454 | (36,628) | 39,826 |
| Net position – January 1, 2013 | | | | <u>1,942,713</u> | <u>334,113</u> | <u>2,276,826</u> |
| Net position – December 31, 2013 | | | | <u>\$ 2,019,167</u> | <u>\$ 297,485</u> | <u>\$ 2,316,652</u> |

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

BASIC FINANCIAL STATEMENTS:

FUND FINANCIAL STATEMENTS



**GLEN COVE COMMUNITY DEVELOPMENT AGENCY
BALANCE SHEET - GOVERNMENTAL FUND
GENERAL FUND
DECEMBER 31, 2014**

Assets

| | |
|--|----------------------|
| Cash | \$ 65,599 |
| Receivable from other Governments | 78,433 |
| Due from City of Glen Cove | 136,797 |
| Investments in and advances to Glen Cove IDA | <u>9,751,596</u> |
| Total assets | <u>\$ 10,032,425</u> |

Liabilities:

| | |
|---------------------------------------|----------------|
| Accounts payable & accrued expenses | \$ 61,625 |
| Due to Housing Choice Voucher Program | <u>387,528</u> |
| Total liabilities | <u>449,153</u> |

Deferred inflows

8,437,809

Fund balances:

| | |
|--|----------------------|
| Restricted for community development | <u>1,145,463</u> |
| Fund balance | <u>1,145,463</u> |
| Total liabilities, deferred inflows and fund balance | <u>\$ 10,032,425</u> |

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

**GLEN COVE COMMUNITY DEVELOPMENT AGENCY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND TO THE
STATEMENTS OF NET POSITION
DECEMBER 31, 2014**

| | | |
|--|-----------------|---------------------|
| Fund balances - total governmental fund | | \$ 1,145,463 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources therefore are not reported in the governmental funds: | | |
| Governmental capital assets | | 1,950,357 |
| Less accumulated depreciation | | (10,951) |
| Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds: | | |
| Section 108 loan | (6,732,327) | |
| Due to City of Glen Cove | (2,133,550) | |
| Retirement system note | (24,649) | |
| Nassau County note | (210,000) | |
| Compensated absences | <u>(24,118)</u> | |
| | | (9,124,644) |
| Program income is recognized as earned in governmental activities. These revenues are recognized when measurable and available within the governmental funds | | 8,437,809 |
| The net post-employment benefit liability is recorded in the Government-Wide financial statements but not in the fund financial statements | | (353,251) |
| Interest accrued on long term debt is recognized as expense in governmental activities as it accrues but not reported in the governmental fund until paid | | <u>(25,616)</u> |
| Net position of governmental activities. | | <u>\$ 2,019,167</u> |

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

**GLEN COVE COMMUNITY DEVELOPMENT AGENCY
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE
GENERAL FUND
THE YEAR ENDED DECEMBER 31, 2014**

Revenues:

| | |
|--------------------|----------------|
| Program income-IDA | \$ 103,796 |
| Federal aid | <u>400,652</u> |
| Total revenues | <u>504,448</u> |

Expenditures:

| | |
|---|---------------------|
| Current: | |
| Culture and recreation | 35,000 |
| Home and community service | 287,064 |
| General administration | 15,607 |
| Debt service - interest | <u>15,756</u> |
| Total expenditures | <u>353,427</u> |
| Deficiency of revenues under expenditures | 151,021 |
| Interest income | <u>50</u> |
| Change in fund balance | 151,071 |
| Fund balance, beginning of year | <u>994,392</u> |
| Fund balance, end of year | <u>\$ 1,145,463</u> |

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

**GLEN COVE COMMUNITY DEVELOPMENT AGENCY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Net change in fund balances - total governmental funds \$ 151,071

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

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

Deferred revenue (53,965)

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

Retirement system note 4,647

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

Current year depreciation (1,629)

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

Accrued compensated absences 9,596

Accrued interest (6,300)

OPEB (27,376)

Copier payment 410

Change in net position of governmental activities \$ 76,454

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

**GLEN COVE COMMUNITY DEVELOPMENT AGENCY
HOUSING CHOICE VOUCHER PROGRAM
STATEMENT OF NET POSITION
DECEMBER 31, 2014**

ASSETS

| | |
|---------------------------|-------------------|
| Current assets: | |
| Cash and cash equivalents | \$ 240,655 |
| Receivables | 25,670 |
| Total current assets | <u>266,325</u> |
| Non-current assets: | |
| Due from General Fund | 387,528 |
| Capital assets, net | 8,998 |
| Total non-current assets | <u>396,526</u> |
| Total Assets | <u>\$ 662,851</u> |

LIABILITIES

| | |
|---------------------------------------|-------------------|
| Current liabilities: | |
| Accounts payable accrued expenses | \$ 6,506 |
| Non-current liabilities: | |
| Compensated absences and pension note | 334,156 |
| OPEB | 24,704 |
| Total liabilities | <u>\$ 365,366</u> |

NET POSITION

| | |
|--|-------------------|
| Net investment in capital assets | 8,998 |
| Restricted for housing assistance payments | 288,487 |
| Total net position | <u>\$ 297,485</u> |

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

**GLEN COVE COMMUNITY DEVELOPMENT AGENCY
HOUSING CHOICE VOUCHER PROGRAM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
THE YEAR ENDED DECEMBER 31, 2014**

| | |
|--|--------------------------|
| Operating revenues: | |
| Administration fees earned | \$ <u>303,892</u> |
| Operating expenses: | |
| Salaries and benefits | 280,016 |
| Administrative expenditures | 44,677 |
| Depreciation expense | <u>2,619</u> |
| Total operating expenses, | <u>327,312</u> |
| Operating loss | <u>(23,420)</u> |
| Non-operating revenues (expenses) | |
| HUD Operating grant Housing assistance | 4,180,867 |
| Housing assistance payments | (4,204,146) |
| Bad debt recoveries | 9,863 |
| Interest Income | <u>208</u> |
| Non-operating loss | <u>(13,208)</u> |
| Changes in net position | (36,628) |
| Net position at beginning of year | <u>334,113</u> |
| Net position - ending | \$ <u><u>297,485</u></u> |

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

**COMMUNITY DEVELOPMENT AGENCY
HOUSING CHOICE VOUCHER PROGRAM
STATEMENT OF CASH FLOWS
THE YEAR ENDED DECEMBER 31, 2014**

Cash flows from operating activities:

| | |
|--|------------------|
| Administrative fees | \$ 315,296 |
| Payments to suppliers for goods and services | (47,947) |
| Salaries and benefits | <u>(358,661)</u> |
| Net cash used in operating activities | <u>(91,312)</u> |

Cash flows from investing activities:

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

Cash flows from capital and related activities:

| | |
|--|-----------------|
| Purchased equipment | <u>(10,165)</u> |
| Net cash used for capital and related financing activities | <u>(10,165)</u> |

Cash flows from non-capital financing activities:

| | |
|--|-------------------|
| Housing and Urban Development grant | 4,180,867 |
| Payments for housing assistance | (4,204,146) |
| Operating grant Community Development Agency | <u>108,556</u> |
| Net cash used for non-capital financing activities | <u>85,277</u> |
| Change in cash and cash equivalents | (15,992) |
| Cash and cash equivalents at beginning of year | <u>256,647</u> |
| Cash and cash equivalents at end of year | <u>\$ 240,655</u> |

Reconciliation of operating income to net cash produced by operating activities

| | |
|---|--------------------|
| Operating (loss) | \$ (23,420) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | |
| Depreciation expense | 2,619 |
| Changes in operating assets and liabilities: | |
| OPEB liability | 9,863 |
| Accounts receivable | (75,524) |
| Accounts payable and accrued expenses | (1,580) |
| Compensated absences | <u>(3,270)</u> |
| Net cash used in operating activities | <u>\$ (91,312)</u> |

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

NOTES TO FINANCIAL STATEMENTS



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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

FINANCIAL REPORTING ENTITY

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

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

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

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

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

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

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

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

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

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

BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

The Statement of Activities net gross expenses (including depreciation) against related program revenues, operating and capital grants and charges for providing services. The program revenues must be directly associated with the functional (home and community, culture and recreation and housing assistance) activity. The operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. The Agency did not have capital specific grants in its year ended December 31, 2014.

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

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

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

are recognized as expenditures when payment is due.

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

The Agency reports the following major governmental fund:

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

The Agency reports the following proprietary fund:

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

receivables are recognized as revenues at year-end.

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

BUDGETS AND BUDGETARY ACCOUNTING

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

Annual Budgets

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

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

Program Budgets

The Community Development Block Grant Program Budget

The CDA receives annual funding from a Community Development Block Grant

Program (“CDBG”) of the United States Department of Housing and Urban Development (“HUD”) via the Nassau County Office of Housing and Intergovernmental Affairs.

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

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

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

After approval of the Council, the grant application is sent to the OOC. The OOC reviews and recommends changes to the CDA’s request of funds and sends the awarded contract back to the CDA for the Mayor’s signature. After the Mayor signs the contract it is sent back to OOC for approval. OOC will send the approval and an

environmental clearance to the CDA at which point the CDA has the right to draw down the funds.

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

Section 8 Housing Choice Voucher Program Budget

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

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

The budget of the Section 8 is the maximum amount that may be paid by HUD to the Section 8 Program over the ACC term of a funding increment. Before adding a funding increment to the consolidated ACC, HUD reserves budgeted Section 8 from amounts authorized and appropriated by the U.S. Congress for the Program.

For each funding increment, the ACC specifies the term over which HUD will make payments for the Section 8 Program, and the amount of available budget Section 8 for each

funding increment. The amount to be paid to the Section 8 Program during each fiscal year (including payment from the ACC reserve account) must be approved by HUD.

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

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

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

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

Deposits and Investments

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

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

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

Receivables and Payables

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

Other Assets

Other assets are recorded and accounted for at cost.

Prepaid Items

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

Capital Assets

Capital assets, including property, equipment, and infrastructure assets (i.e., roads, sidewalks and similar items), are reported in the applicable governmental activities or business type activities columns in the government-wide financial statements. Capital assets are defined by the government

as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Assets contributed (donated) to those funds are recorded by reference to historical costs of the donor if recently purchased or constructed, or if such records are not available, at estimated fair market value on the date of receipt.

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

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

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

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

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

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

Long-term Obligations

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

Compensated Absences

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

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

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

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

Other Post Retirement Benefits (OPEB)

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

Prior to the issuance of the Government Accounting Standards Board Statement 45 (GASB 45), the Agency followed a “pay-as-you-go” accounting approach in which the cost of benefits were not reported until after employees retired and earned benefits were actually paid. However, this approach is not comprehensive - only revealing a limited amount of data and failing to account for costs and obligations incurred as the Agency receives employee services each year for which they have promised future benefit payments in exchange.

In 2008, the Agency implemented GASB Statement 45. The Agency believes that this will foster improved accountability and a better foundation for informed policy decisions about, for example, the level and types of benefits provided and potential methods of financing those benefits

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

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

Risk Management

The Agency is potentially exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or

omissions; general liability; workers’ compensation and unemployment claims. The CDA is covered for general liability and worker’s compensation claims under the City of Glen Cove Self-Insurance Fund (CIF). The Agency had no outstanding claims or judgments against it during the fiscal year.

Deferred Inflows

Revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual (i.e. when they become both measurable and available to finance expenditures of the fiscal period.) "Available" means collectible within the current period (year ended December 31, 2014) or within 60 days after year end (January or February of 2015) and usable to pay liabilities of the current period.

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

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

Pension Plans and Post-Retirement Benefits.

The CDA has adopted the Governmental Accounting Standards Board Statement No. 27, “*Accounting for Pensions by State and Local Governmental Employers*”. This statement establishes standards for the measurement, recognition, and display of pension expenses and related assets, liabilities, note disclosures, and supplementary information. Pension cost is required to be measured and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expense on the modified accrual basis of accounting.

Annual pension cost should be equal to the annual required contributions to the pension plan, calculated in accordance with certain parameters.

Inter-fund and Intra-entity Loans and Transfers

From time to time, the CDA transfers funds to the Section 8 Program to cover Section 8 Program's administrative expenses in excess of HUD provided administrative fees. At December 31, 2014, the CDA owed the Section 8 Program \$387,528. The majority of the amount owed was for the OPEB expense, compensated absences and payroll expenses. This account is eliminated in consolidation on the government wide Statement of Net Assets.

Any amounts due to or due from the primary government or other component units are shown as receivables from and payables to external parties in the government-wide Statement of Net Position. Generally, the amounts due from The Industrial Development Agency (IDA) and payable to the City are expected to be settled upon the sale of the Waterfront property by the IDA. The Agency estimates that the sale of the property would require time and accordingly the amounts of \$9,751,596, due from the IDA, and \$136,797, due from the City, were determined to represent long-term receivables and not available for current expenditures and were recognized as deferred inflows, in the Agency's General Fund Balance Sheet.

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

Operating and Non-operating Revenues and Expenses

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

Non-operating revenues are those revenues that do not meet the definition of operating revenues. Non-operating revenues include gifts, investment income and insurance reimbursement revenue and housing assistance and other grants.

Accounting Pronouncements

GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date" replaces existing standards of accounting and financial reporting for pension plans that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The statements establish standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. The requirements of these statements are effective for periods beginning after June 15, 2014, which is the fiscal year beginning January 1, 2015 for the Agency. These statements are being evaluated for their effect on the financial statements of the Agency.

GASB Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date" supplements guidance provided in GASB Statement No. 68. This

Statement amends paragraph 137 of GASB

Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The requirements of this statement are effective for the same period that the Agency implements GASB Statement No. 68. Management is in the process of evaluating the potential impact due to the implementation of this statement of the financial statements of the Agency.

NOTE 2. CASH AND CASH EQUIVALENTS

At December 31, 2014, carrying values of cash and cash equivalents was \$306,254. The amount on deposit was \$306,617.

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

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

The collateral amounts are as required by the Agency's custodial bank agreement at 102%. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. Periodically, the Agency determined that the collateral or underlying securities have an

adequate market value and have been segregated.

NOTE 3. ACCOUNTS RECEIVABLE

For the year ended December 31, 2014, the current accounts receivable of the CDA and Section 8 Program totaled \$104,103 and included \$78,433 due from the County of Nassau, primarily for reimbursement of payroll and professional expenses and \$25,670 due from recipients of Section 8 housing assistance payments whose income status necessitated repayment of the assistance that they had previously received. These receivables are deemed as current and assumed to be collectible within 90 days.

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

At December 31, 2014 the CDA owed the City \$2,133,550 and had accounts receivable of \$136,797 from the City for legal expenses the CDA paid on the City's behalf. The net amount owed to the City was \$1,996,753. The following is a summary of the amounts owed to the City at December 31, 2014:

| | <u>Amount</u> |
|---|--------------------|
| Balance payable - Glen Cove Roadway purchase | \$637,200 |
| Rent and utilities | 517,653 |
| Section 108-interest advance | 371,268 |
| Accrued interest on outstanding cumulative balances | 607,429 |
| Total due City at December 31, 2014 | <u>\$2,133,550</u> |

For the year ended December 31, 2014, the amounts due from the IDA decreased by \$1,110,766 to an aggregate owed to the CDA of \$9,751,596. The decrease in amounts receivable from the IDA represent a repayment of loans of \$360K to HUD for the 108 loan and \$755K to the City for the EFC loan.

capital assets, net of accumulated depreciation, at December 31, 2014.

In October 2004, the CDA purchased parcels from the City of Glen Cove for the Glen Cove Roadway Extension Project for the sum of \$1,937,200. The CDA used program income of \$1,300,000 from the sale of Property to Avalon Bay to pay for the lots and parcels and currently owes the City a balance of \$637,200 at December 31, 2014. The net position invested in capital assets were \$1,302,206 at December 31, 2014.

In business type activities, the depreciation expense of \$1,602 was charged to Home and Community Function. The changes in capital assets during the year ended December 31, 2014 are as follows:

| | <u>Amount</u> |
|---|--------------------|
| Balance receivable - contractual expenses | \$7,266,948 |
| Balance receivable - payroll benefits | 741,546 |
| Section 108 Loan | <u>6,732,327</u> |
| Total due from IDA | 14,740,821 |
| Less; amount forgiven | <u>(4,989,225)</u> |
| Balance, December 31, 2014 | <u>\$9,751,596</u> |

NOTE 5. CAPITAL ASSETS

Under the current accounting policy, assets include land and improvements, buildings and improvements and construction-in-progress. The CDA and Section 8 Program reported an aggregate of \$1,948,404 in

| | Balance 12/31/2013 | Additions | Deletions | Balance 12/31/2014 |
|---|-----------------------|-----------|-----------|-----------------------|
| Governmental Activities: | | | | |
| Non-depreciable assets: | | | | |
| Roadway | \$ 1,937,200 | -- | -- | 1,937,200 |
| Total non-depreciable assets | 1,937,200 | -- | -- | 1,937,200 |
| Depreciable assets: Equipment | 13,157 | -- | -- | 13,157 |
| Total capital assets | 1,950,357 | -- | -- | 1,950,357 |
| Less accumulated depreciation | (9,322) | (1,629) | -- | (10,951) |
| Total governmental activities capital assets, net | 1,941,035 | (1,629) | -- | 1,939,406 |
| Business-Type Activities: | | | | |
| Depreciable assets: Equipment | 31,651 | 10,165 | -- | 41,816 |
| Less accumulated depreciation | (30,199) | (2,619) | -- | (32,818) |
| Capital assets, net | 1,452 | 7,546 | -- | 8,998 |
| Total capital assets, net | \$ 1,942,487 | 5,917 | -- | 1,948,404 |

NOTE 6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

For the year ended December 31, 2014, the CDA and Section 8 Program reported the following accounts payable and accrued expenses:

| | Govern- mental Activities | Business- type Activities | Total |
|------------------------------|---------------------------------|---------------------------------|-----------------|
| Contractual expenses payable | \$47,575 | \$5,631 | \$53,206 |
| Payroll | 1,842 | 875 | 2,717 |
| Professional | 7,200 | - | 7,200 |
| Accrued interest | 5,008 | - | 5,008 |
| Total | \$61,625 | \$6,506 | \$68,131 |

NOTE 7. LONG TERM DEBT

In October 1999, CDA, the Glen Cove Industrial Development Agency (“IDA”), and the County of Nassau (“County”) entered into an agreement regarding obtaining a \$6,000,000 loan, pursuant to Section 108 of Title I of the Housing and Community Development Act of 1974. The purpose of the loan was to acquire, decontaminate, and develop certain waterfront properties.

The agreements included the following provisions:

- The County and the United States Department of Housing and Urban Development (“HUD”) agreed to make the Section 108 loan to the CDA based on guarantees from the CDA and the IDA regarding the repayment of the loan and indemnification for all hazardous material.
- The CDA agreed to sign a \$6,000,000 note (“the Note”) payable to the County and advance the loan proceeds to the IDA for the acquisition and improvement of the waterfront properties. The Note is

secured by a mortgage on the properties being developed. The interest rate for each advance will be set on the date of such advance and will be equal to 0.2% above the three-month London Interbank Offered Rate (LIBOR). Interest was to be paid quarterly and the maturity date of the loan was originally August 1, 2004. This loan has been extended and amended several times and is now due and payable \$113,000 annually through August 1, 2015. The remaining balance is due August 1, 2016.

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

In December 2003, the City of Glen Cove obtained a loan from the State of New York Environmental Facilities Corporation (“EFC”) for the CDA to pay down the Section 108 loan. The CDA paid the amount of \$1,255,000, reducing the Section 108 loan to \$4,745,000. In 2013, \$500,000 was paid to the City and the balance of \$755,000 was paid in 2014.

On October 13, 2009, the City, the CDA, the IDA and the County of Nassau executed an agreement for the Agency to borrow \$2,350,000 pursuant to Section 108 of Title I of the Housing and Community Development Act of 1974. The \$2,350,000 notes are secured by a mortgage on the properties being developed. The interest rate for each advance was set on the date of such advance and was equal to 0.2% above the three-month London Interbank Offered Rate (LIBOR). Interest is to be paid quarterly through the maturity date of the loan is July 31, 2021.

The purpose of the new Section 108 Loan is to purchase, develop and remediate the Doxey and Gladsky properties and pay interest on the existing Section 108 loan.

The CDA has signed two notes in the amounts of \$850,000 and \$1,500,000 that mature on July 31, 2021; and has borrowed \$2,056,831 of this amount through December 31, 2014.

As of December 31, 2014, annual debt service requirements to maturity for the Section 108 loans are as follows:

| | <u>First Loan</u> | <u>Second Loan</u> | <u>Interest (1)</u> |
|-------|--------------------|--------------------|---------------------|
| 2015 | \$ 113,000 | 263,000 | |
| 2016 | 4,406,000 | 1,950,327 | |
| Total | <u>\$4,519,000</u> | <u>2,213,327</u> | |

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

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

The table on below is a summary of changes in long-term liabilities reported in the government-wide financial statements of net position for the year ended December 31, 2014.

| | <u>Balance</u> | | | <u>Balance</u> | <u>Due in</u> |
|--|---------------------|----------------------|------------------|--------------------|------------------|
| | <u>12/31/2013</u> | <u>Reductions</u> | <u>Additions</u> | <u>12/31/2014</u> | <u>One Year</u> |
| Governmental activities: | | | | | |
| Section 108 Loan | \$7,048,831 | \$ (360,000) | \$43,496 | \$6,732,327 | \$376,000 |
| OPEB | 325,875 | - | 27,376 | 353,251 | - |
| Due to City of Glen Cove | 2,873,849 | (755,000) | 14,701 | 2,133,550 | - |
| Retirement note payable | 29,296 | (4,647) | - | 24,649 | 4,647 |
| Installment payable | 410 | (410) | - | - | - |
| Brownfield Revolving Loan and interest | 229,316 | - | 6,300 | 235,616 | - |
| Liability for compensated absences | 33,713 | (23,948) | 14,353 | 24,118 | - |
| Total long term debt | 10,541,290 | (1,144,005) | 106,226 | 9,503,511 | 380,647 |
| Business activities: | | | | | |
| OPEB | 308,260 | - | 25,896 | 334,156 | - |
| Liability for compensated absences | 129,245 | (114,951) | 10,410 | 24,704 | - |
| Total long term debt | 437,505 | (114,951) | 36,306 | 358,860 | - |
| Total combined long term debt | \$10,978,795 | \$(1,258,956) | \$142,532 | \$9,862,371 | \$380,647 |

On May 25, 2006, the Supreme Court of Nassau County granted the IDA permission to acquire the Doxey Property by Eminent Domain. Three appraisals were conducted. The Agency acquired the property in 2008 for \$980,000, which was the highest appraised value. The Agency has completed phase II environmental testing. The remediation and cleanup was completed in December 2014.

\$410,000 and the IDA was awarded \$590,000 for an aggregate of \$1 million (BF-98297603-1) the \$410,000 grant includes \$200,000 of grant and \$210,000 of loan. The loan and interest must be repaid by April 2020 or upon the sale of the Waterfront property. Interest accrues at 3% annually. Both, the interest and the loan have been classified as long term debt. The accrued interest for the years ended December 31, 2014, and 2013 was \$6,300.

Brownfield Revolving Loan Fund

In July 2010, the CDA entered into a loan and grant agreement with Nassau County and the EPA under which the CDA was awarded

NOTE 8. NOTE PAYABLE TO New York STATE RETIREMENT SYSTEM

In 2004, per Ch. 260, Laws of 2004 of the State of New York, the CDA elected to amortize the Note (“Pension Note”) owed to the NYS Retirement System over a ten-year period. The principal and interest payments on the note were paid in full in December 2014.

In 2012, the CDA issued an additional note in the amount of \$27,417. The repayment began in 2014 and will be for a 10 year period at 3% interest. The future principal and interest payments on the note are as follows:

| Year | Principal | Interest | Total |
|-----------|-----------------|--------------|---------------|
| 2015 | \$ 2,463 | 751 | 3,214 |
| 2016 | 2,537 | 677 | 3,214 |
| 2017 | 2,613 | 601 | 3,214 |
| 2018 | 2,692 | 522 | 3,214 |
| 2019 | 2,773 | 441 | 3,214 |
| 2020-2023 | 11,571 | 910 | 12,481 |
| Total | <u>\$24,649</u> | <u>3,902</u> | <u>28,551</u> |

In 2015, the CDA elected to amortize \$18,170 of the invoice due and payable in 2015 from the NYS Retirement System for 10 years at 3.15% interest rate. The future principal and interest payments on the note are as follows:

| Year | Principal | Interest | Total |
|-----------|-----------------|--------------|---------------|
| 2015 | \$ 1,574 | 572 | 2,146 |
| 2016 | 1,624 | 523 | 2,147 |
| 2017 | 1,675 | 472 | 2,147 |
| 2018 | 1,728 | 419 | 2,147 |
| 2019-2024 | 11,569 | 1,308 | 12,877 |
| Total | <u>\$18,170</u> | <u>3,294</u> | <u>21,464</u> |

NOTE 9. PENSION PLANS AND POST RETIREMENT BENEFITS

Description of Plan

The Agency participates in the New York State and Local Employees’ Retirement System (ERS) and the Public Employees’

Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. The New York State Retirement and Social Security Law (NYSRSSL) governs obligations of employers and employees to contribute and benefit employees. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrator. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and require supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

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

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2014 | 78,488 |
| 2013 | 99,121 |
| 2012 | 87,417 |
| 2011 | 87,449 |
| 2010 | 53,094 |

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

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

The City of Glen Cove Community Development Agency's retiree medical/drug and dental insurance plans are fully insured with a plan offered through New York State Health Insurance program and Group Health Incorporated. Employees are eligible for these benefits once they have reached the age of 55 and were hired before July 1, 1973 or either have reached the age of 55 and have 5 years of qualified employment or have 30 years of qualified employment if hired after July 1, 1973. The Agency has agreed to pay the full cost of coverage for such retirees as well as the retiree's spouse and unmarried children. Survivors are covered at full cost for ten years after employee's death.

Actuarial Methods and Assumptions

The agency conducted an actuarial valuation as of January 1, 2014. An Actuarial Cost Method, used herein is referred to as the projected unit credit method. It develops an orderly allocation of the actuarial present value of benefit payments over the working

lifetime of participants in the plan. The actuarial assumptions included: a funding interest rate of 5.0%; a 2014 Medical trend rate, which reflects cost inflation expected to impact the plan based on the forecast in published papers industry experts (actuaries, health economists, etc.) of 8.5%; an ultimate trend rate, estimated to be reached in 2020, of 5.0%; dental trend rate of 5.0%; and that the remaining amortization period at December 31, 2014 is 24 years. No salary scale assumptions were used because benefits are not dependent on participant compensation.

| ANNUAL OPEB COST AND NET OPEB OBLIGATION FISCAL YEAR ENDING DECEMBER 31, 2014 | | |
|---|-------------------------|---------------------|
| | Governmental Activities | Business Activities |
| 1. Normal Cost | \$24,427 | \$23,107 |
| 2. Amortization of Unfunded Actuarial Accrued Liability | 34,315 | 32,460 |
| 3. Interest | <u>1,451</u> | <u>1,372</u> |
| 4. Annual Required Contribution - ARC (1+2+3) | 60,193 | 56,939 |
| 5. Interest on net OPEB Obligation | 16,294 | 15,413 |
| 6. Adjustment to ARC | <u>(20,688)</u> | <u>(19,569)</u> |
| 7. Annual OPEB Cost (Expense) | 55,799 | 52,783 |
| 8. Less contributions made | <u>(28,423)</u> | <u>(26,887)</u> |
| 9. Increase in net OPEB Obligation | 27,376 | 25,896 |
| 10. Net OPEB Obligation-beginning of year | <u>325,875</u> | <u>308,260</u> |
| 11. Net OPEB Obligation - end of year | <u>\$353,251</u> | <u>\$334,156</u> |

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

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

| FUNDING STATUS AND FUNDING PROGRESS | | | | | | | |
|-------------------------------------|--------------------------|---------------------------|-----------------------------------|----------------------|--------------------|---------------------|---|
| | Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
| Governmental Activities | 01/01/2014 | (a) \$-0- | (b) \$874,141 | (b-a) \$(874,141) | (a/b) 0% | (c) \$172,813 | ((b-a)/c) 506% |
| Business Activity | 01/01/2014 | \$-0- | 826,890 | (826,890) | 0% | 163,472 | 506% |

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

| | 2014 | 2013 | 2012 |
|---------------------|-----------|-----------|-----------|
| Annual OPEB Cost | \$108,582 | \$164,420 | \$184,669 |
| Percent contributed | 15.8% | 26% | 27% |
| Net OPEB obligation | \$687,407 | \$634,135 | \$535,322 |

NOTE 11. FEDERAL GRANTS AND CONCENTRATION OF RISK

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

NOTE 12. LAND HELD FOR SALE AND RELATED AGREEMENTS

Settlement Agreement with the City of Glen Cove

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

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

City arrived at an agreement with U.S. EPA limiting its maximum liability to \$5 million, pending court approval, which was obtained in 2005. The City obtained the required additional \$2 million funding through the Environmental Facilities Corporation revolving loan program. This loan program has made money available to the City on short-term basis, and at very low interest rates.

Agreement Regarding Sales Proceeds

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

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

Under the contract, IDA agreed:

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

- 25% of the sales proceed over \$14.2 plus \$2.4 million.
- Not to sell the sites for less than \$13.4 million.
- Not to reduce the sales proceeds to account for any costs including remediation, brokerage, negotiating, redevelopment, and closing costs.

In 2014, the CDA, IDA and the City have approached the EPA to forgive the amount of \$2.36M that will be due upon the sale of the waterfront. Demonstrating that the amount of waterfront expenses expended by the City and the agencies is far greater than the original \$9M in the original PPA, dated May 17, 1999, as well as the purchase price reduction from \$25M to \$15M. The outcome of this request remains undetermined.

Sale of Waterfront Properties for Redevelopment

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

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

The original proposed development concept involves the construction of a branded hotel, with a maximum of 250 rooms, marina, conference center, catering and spa facilities, 100 associated residential units, a commercial and retail component of not

greater than 250,000 square feet, a cultural entertainment park, and up to 350 residential units. In April 2005, the contract was amended and the development concept changed from 350 to 860 units. In consultation with the IDA, Glen Isle has developed a detailed and fully supported final Conceptual Site Plan (CSP) that has been approved by the Agencies. In October 2009 the Planning Board approved the Draft Environmental impact statement ("DEIS"). The Final Environmental Impact Statement, ("FEIS") was approved by the Planning Board on December 19, 2011. The FEIS can be viewed in its entirety on the Glen Cove IDA's website, www.glencoveida.org, under Waterfront Plan. In October 2012, the Planning Board approved the Phase I Site Plan for the waterfront property. In late 2014, the Plans were approved by Nassau County. The sale of the property is anticipated in the second half of 2015.

The City is responsible for the construction of the road improvement project outside the property that conforms to customary design criteria for four-lane public thoroughfare. The City has applied for various grants to fund the offsite infrastructure costs. The road design is in final review by NYSDOT and the Federal Highway Administration, ("FHWA") and should be completed by the second quarter of 2015.

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

On June 29, 2012, Glen Cove Industrial Development Agency, Glen Cove Community Development Agency, And RXR Glen Isle Partners entered the fourth amendment to the Agreement and modified the purchase price of the waterfront property based on revised estimates of its market value. The parties agreed that the Redeveloper shall

have the option to purchase the Property from the Agencies for not less than \$15,000,000 plus any excess over this amount, as determined by independent appraisal.

In October 2012, the waterfront property was appraised at \$12.7M and the redeveloper exercised its option. On December 6, 2012, the IDA and RXR-GI signed a letter of agreement on the Final Fair Market Value and agreed upon a purchase price of \$15M.

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

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

On December 9, 2014 the sixth amendment to the LDA of May 14, 2003 was signed. This amendment states that the initial advances made to the IDA for the EFC and 108 loans will be deducted from the purchase price of the property. Subsequent advances made to the IDA will not. Currently, a letter of agreement for two quarterly advances is being developed. This will cover professional fees until closing. In the years, ended December 31, 2014 and 2013, the developer made advances of \$1,465,000 and \$1,023,333, respectively. \$1,115,000 was recorded as deferred revenue and reduces

the purchase price to \$13,885,000. \$350,000 of this advance was used to pay professional fees.

Agreement with the City, IDA and CDA

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

The Community Development Agency entered an agreement in December 2003, with the City and transferred certain parcels, owned by the City and located on the Glen Cove Waterfront project site to the CDA. The parcels are required to accommodate the construction of a roadway that is necessary for the Waterfront Revitalization Project. The appraised sale price of the lots was \$1,937,200. The CDA has paid the City \$1,300,000 and owes a balance of \$637,200 at December 31, 2014.

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

NOTE 13. OCCUPANCY COSTS

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

NOTE 14. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The Agency's General Fund makes periodic transfers to the Section 8 Program to cover its additional OPEB and Compensated Absence expenses. The amount due to Section 8 from CDA totaled \$387,528 and \$499,205 at December 31, 2014 and 2013, respectively. The payable was reduced because two employees retired in 2014. In 2013, the CDA transferred \$120,978 to the Section 8 Program to cover the administrative deficit.

NOTE 15. DEFERRED INFLOWS

As of December 31, 2014, deferred inflows, which represent non-current receivables, were as follows:

| | |
|-------------------------------|--------------------|
| Industrial Development Agency | \$8,301,013 |
| City | <u>136,796</u> |
| Total | <u>\$8,437,809</u> |

NOTE 16. SUBSEQUENT EVENTS

Management has evaluated all events through the date these financial statements were available to be issued, and has determined that there are no subsequent events that require recording or disclosure.

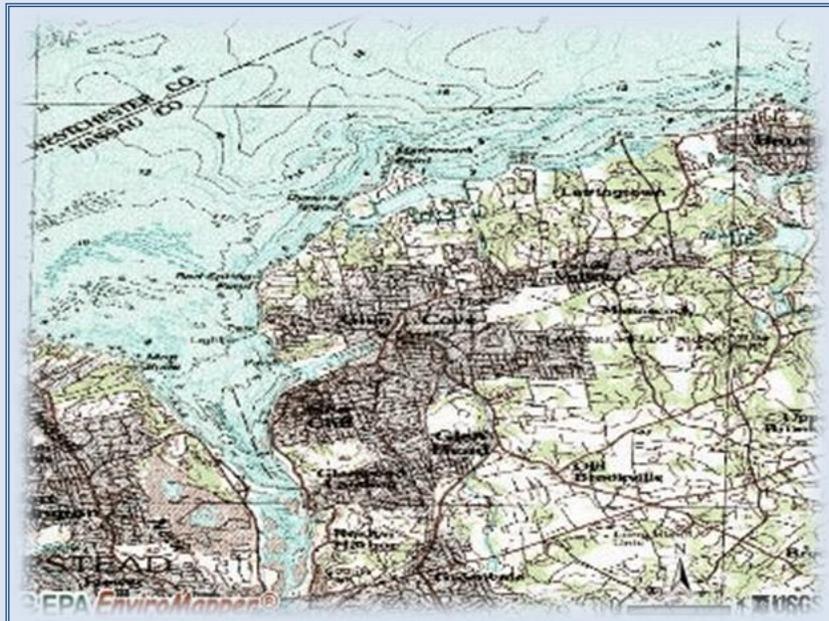
OTHER SUPPLEMENTARY INFORMATION



**GLEN COVE COMMUNITY DEVELOPMENT AGENCY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2014**

| | <u>Adopted Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|---------------------------|---------------------------|---------------------|---|
| Revenues | | | | |
| CDBG Grant | \$ 344,026 | \$ 103,796 | \$ 103,796 | \$ - |
| Interest | - | 50 | 50 | - |
| Program Income-IDA | - | 400,652 | 400,652 | - |
| Total revenues | <u>344,026</u> | <u>504,498</u> | <u>504,498</u> | <u>-</u> |
| Expenditures | | | | |
| Current | | | | |
| Waterfront and other development | 241,700 | 212,564 | 212,564 | - |
| Culture and Recreation-Public Service | 35,000 | 35,000 | 35,000 | - |
| Salaries and benefits | 67,229 | 67,300 | 67,300 | - |
| Audit services | 7,200 | 7,200 | 7,200 | - |
| Administrative expense | 5,794 | 15,607 | 15,607 | - |
| Total current expenditures | <u>356,923</u> | <u>337,671</u> | <u>337,671</u> | <u>-</u> |
| Capital Outlay | | | | |
| Debt service: | | | | |
| Principal | 4,472 | - | - | - |
| Interest | 1036 | 15,756 | 15,756 | - |
| Total expenditures | <u>362,431</u> | <u>353,427</u> | <u>353,427</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>(18,405)</u> | <u>151,071</u> | <u>151,071</u> | <u>-</u> |
| Other Sources and uses | | | | |
| Loan from the City | 24,213 | - | - | - |
| Total other sources (Uses) | <u>24,213</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | 5,808 | 151,071 | 151,071 | - |
| Fund balance - beginning | 1,059,417 | 994,392 | 994,392 | - |
| Fund balance -ending | <u>\$ 1,065,225</u> | <u>\$ 1,145,463</u> | <u>\$ 1,145,463</u> | <u>\$ -</u> |

COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Glen Cove Community Development Agency (CDA), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the CDA's basic financial statements, and have issued our report thereon dated March 30, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Toski & Co., CPAs, P.C.

Williamsville, New York
March 30, 2015

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

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

Report on Compliance for Each Major Federal Program

We have audited Glen Cove Community Development Agency's (CDA) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of CDA's major federal programs for the year ended December 31, 2014. CDA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, CDA, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

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

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

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

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

Toski & Co., CPAs, P.C.

Williamsville, New York
March 30, 2015

**GLEN COVE COMMUNITY DEVELOPMENT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2014**

| <u>Agency and Program Grant Title</u> | <u>Federal CFDA Number</u> | <u>Nassau County Consortium Number</u> | <u>Federal Expenditures</u> |
|--|------------------------------------|--|---------------------------------|
| Department of Housing and Urban Development | | | |
| Section 8 Housing Choice Voucher Program Passed through Nassau County Consortium | 14.871 | N/A | \$4,204,146 |
| Community Development: | | | |
| Block Grant/Entitlement Grants | 14.218 | CQHI10000045 | 400,652 |
| Block Grant/ Section 108 Loan Guarantee | 14.248 | CQHI0800021 | <u>43,495</u> |
| Total Federal Awards | | | <u><u>\$4,648,293</u></u> |

See accompanying notes to schedule of expenditures of federal awards.

THE GLEN COVE COMMUNITY DEVELOPMENT AGENCY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2014

NOTE 1: PURPOSE OF THE SCHEDULE

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity** - The accompanying schedule includes all federal financial assistance programs administered by Glen Cove Community Development Agency for the fiscal year ended December 31, 2014.
- B. Basis of Presentation** - The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133.
- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133, federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.
 - 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and OMB Circular A- 133 establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Glen Cove Community Development Agency are those which equal or exceeded \$300,000 in expenditures / disbursements / issuances for the fiscal year ended December 31, 2014. Type B programs for the Agency are those which are less than \$300,000 in expenditures / disbursements / issuances for the fiscal year ended December 31, 2014
- C. Basis of Accounting** - The information presented in the Schedule of Expenditures of Federal Awards ("the Schedule") is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organizations.

**GLEN COVE COMMUNITY DEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2014**

I. Summary of Auditors' Results

A. Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

B. Federal Awards

Internal control over major programs:

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

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

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

Identification of Major Programs:

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

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

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

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

A. Internal Control

None reported

B. Compliance Findings

None reported

III Findings and Questioned Costs for Federal Awards

A. Internal Control

None reported

B. Compliance Findings

None reported

**GLEN COVE COMMUNITY DEVELOPMENT AGENCY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2014**

The audit report for the year ended December 31, 2013, contained no findings or questioned costs.