

**TOWN OF ISLIP**  
**COMMUNITY DEVELOPMENT AGENCY**  
*A COMPONENT UNIT OF THE TOWN OF ISLIP, NEW YORK*



**FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Prepared by:**  
**Salvatore Matera**  
**Director**  
**Department of Finance**



**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY, NEW YORK**  
 (A COMPONENT UNIT OF THE TOWN OF ISLIP, NEW YORK)  
*FINANCIAL STATEMENTS*  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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## ***FINANCIAL SECTION***



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Town of Islip Community Development Agency  
15 Shore Lane,  
Bay Shore, NY 11706

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Islip Community Development Agency (the Agency), a component unit of Town of Islip, New York, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Agency'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, each major fund, and the aggregate remaining fund information of Town of Islip Community Development Agency, a component unit of Town of Islip, New York, as of June 30, 2014, and the respective changes in financial position 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, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

The combining individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Islip Community Development Agency's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis and are 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 and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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



Garden City, NY  
March 30, 2015



**FINANCIAL SECTION  
TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014  
(Unaudited)**



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014  
(Unaudited)**

**INTRODUCTION**

As management of the Town of Islip Community Development Agency (The Agency), we offer readers of the Agency's basic financial statements this narrative analysis of the Agency's financial performance and an overview of the Agency's financial activities for the fiscal year ended June 30, 2014.

This discussion and analysis includes comparative data for the fiscal years ended June 30, 2014 and 2013.

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

*Financial Highlights*

- The assets of the Agency exceeded its liabilities at the close of the most recent fiscal year by \$33,382,950 (net position). Of this amount, \$1,315,375 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The Agency's financial condition improved, as a result of operations in the fiscal year ended June 30, 2014. The Agency's net position increased by \$4,485,740 (15.5%) from \$28,897,210, on June 30, 2013 to \$33,382,950, on June 30, 2014. The increase in restricted net position primarily related to the investment of federal grants in loan and mortgages receivable related to residential rehabilitation and sales. These additional receivables and mortgages were financed through Community Development Block Grant, Home investment Partnership Grant,

Neighborhood Stabilization Grants and the Agency's program income.

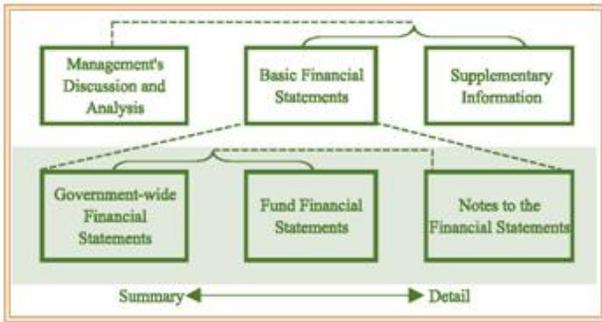
- During the fiscal year ended June 30, 2014, there was no additional investment in Capital assets. The decrease of \$120,242 in net position invested in capital assets represents the depreciation charge for the year ended June 30, 2014. The Agency has no indebtedness related to its capital assets.
- At the close of the current fiscal year, the Agency's governmental funds reported combined fund balances of \$14,233,989, an increase of \$124,546 (0.9%) in comparison with the prior year. Approximately 5.6% of this amount (\$803,872) is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, the \$803,872 unassigned component of the General Fund balance was approximately 50.7 times the total General Fund expenditures.
- The Agency's total outstanding long-term debt decreased by \$800,000. The Agency had received \$140,000, in repayment of debt, from Touro College and applied it to pay off the matured portion of its Section 108 Serial Bonds, during the year. Touro College paid off the balance of its indebtedness to the Agency by providing \$696,268 to the Agency's Bond Agent. The Bond Agent applied the \$696,268 and defeased the outstanding balance of the Agency's Section 108 Serial Bonds.

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the Agency's basic financial statements. The Agency's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes

to the financial statements. This report also contains supplementary information intended to furnish additional detail to support the basic financial statements themselves.

### Components of the Annual Financial Report



#### Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Agency finances, in a manner similar to a private-sector business. The statement of net position presents financial information on all of the Agency's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The *statement of activities* presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected receivables and earned but unused vacation leave).

Both of the government-wide financial statements comprehend all the functions of the Agency which are principally supported by intergovernmental revenues (governmental activities). The governmental activities of the Agency include residential and commercial rehabilitation, public service, public facilities improvement, code enforcement and general administration. The government-wide financial statements are presented on pages 15 and 16.

#### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency are governmental funds.

*Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements *focus on near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

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

so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Agency maintains eight individual governmental funds: The General Fund, Community Development Block Grant Fund (CDBG), Home Investment Partnership Program Fund (HOME), Housing Opportunities for Persons with AIDS Fund (HOPWA), Neighborhood Stabilization Fund (NSP), Neighborhood Stabilization 3 Fund (NSP3), Long Island Green Homes Islip Fund and Emergency Solutions Program Funds.

The Agency has classified the General, CDBG, HOME, HOPWA, NSP and NSP3 Funds as major funds and information for each fund is presented separately in the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances. The information for Long Island Green Homes Islip and Emergency Solutions Program Funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the combining financial statements section of this report.

The fund financial statements are presented on pages 17 and 19 of this report.

### *Community Development Block Grant Fund Budgetary Highlights*

The Community development Block Grant consists of the following five sub-funds: Community Development Block Grant Fund (CDBG), Rental Unit Management Fund (RUM), Applied Technology Center

Fund (ATC), the East Islip Congregate Fund (EIC) and the 911 Lowell Avenue fund. Information regarding the financial position and revenues and expenditures of these funds is provided in the combining schedule presented in the combining financial statements section of this report, pages 43 and 44.

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

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 to 40 of this report.

### **OTHER Information**

In addition to the basic financial statements and accompanying notes, this report presents combining financial statements for nonmajor funds and for the Community Development Block Grant as supplementary Information (pages 41 to 44).

### **Overview of the Town of Islip Community Development Agency**

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

The Board of Directors of the Agency is composed of a chairman and four directors who are appointed by the Town of Islip's Town Council and serve five-year

terms. The Executive Director of the Agency is the Chief Executive Officer and is appointed by the Agency Board.

The Agency has on-going projects to assist low and moderate income homeowners annually in rehabilitating their homes, providing handicap access and removing lead hazards. Several non-profit housing providers are also supported in their efforts to increase the supply of affordable permanent rental housing.

**Government-Wide Financial Analysis**

**Net position**

As noted earlier, net position over time, may serve as a useful indicator of a government’s financial position. In the case of the Agency, assets exceeded liabilities by \$33,382,950, at the close of the most recent fiscal year.

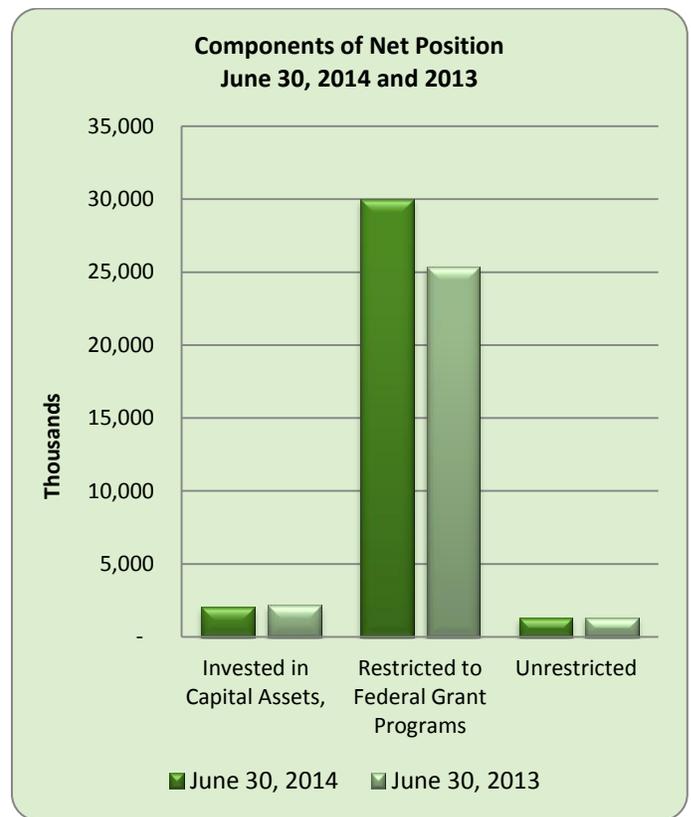
which represents resources that are subject to external restrictions on how they may be used.

The next largest portion of the Agency’s net position \$2,052,296 (6.2%) reflects its investment in capital assets (land, buildings, machinery, equipment and vehicles), which were all acquired by grant funds and there is no related indebtedness. The Agency uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

Summary of Net Position June 30, 2014 and 2013 Governmental Activities		
	2014	2013
<b>Assets</b>		
Current and other assets	\$33,367,083	\$29,629,748
Capital assets	<u>2,052,296</u>	<u>2,172,538</u>
Total assets	<u>\$35,419,379</u>	<u>31,802,286</u>
<b>Liabilities</b>		
Current liabilities*	\$1,099,121	\$1,169,097
Long term liabilities	<u>937,308</u>	<u>1,735,979</u>
Total liabilities	2,036,429	2,905,076
<b>Net position</b>		
Invested in capital assets, net of related debt	2,052,296	2,172,538
Restricted for community development projects	30,015,279	25,395,990
Unrestricted net position	<u>1,315,375</u>	<u>1,328,682</u>
Total net position	<u>\$33,382,950</u>	<u>\$28,897,210</u>

\* Includes current portion of long-term liabilities.

By far, the largest portion of the Agency’s net position \$30,015,279 (89.9%) reflects its restricted net position



The remaining fund balance of \$1,315,375 (3.9%) is unrestricted and may be used to meet the government’s ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the Agency is able to report positive balances in all reported

categories of net position. The same situation held true for the prior fiscal year.

As noted previously, the CDA’s total net position increased by \$4,485,740 during the current fiscal year. This increase is comprised of the following changes within the three categories of CDA net position:

- Net investment in capital assets decreased by \$120,242 (5.5%) due to depreciation changes.
- Restricted net position increased by \$4,619,289 (18.2%).
- Unrestricted net position decreased by \$13,307 (1.0%).

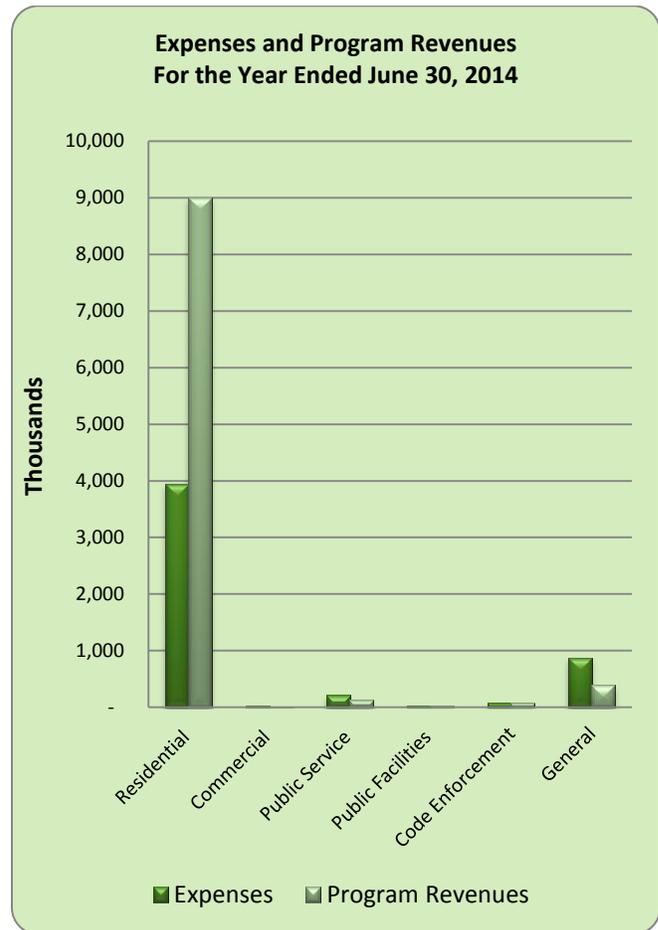
**Governmental Activities**

Governmental activities increased the CDA’s net position by \$4,485,740 (15.5%). The net position was mainly invested in additional loans and mortgages.

The program revenues of \$9,643,067, which accounted for over 99.96% of the total revenues increased by \$577,386 (6.4%), from \$9,065,681 reported at June 30, 2013. The increase was the net result of \$1,030,926 (17.0%) additional federal grants and \$453,540 (15.1%) reduction in charges for services.

The grant revenues of the Agency are essentially expenditure driven. During the current year, as a result of increased expenditures for acquisition and improvement of local housing, the HOME grant revenues increased by \$537,628 (78.4%), HOPWA grants by \$588,358 (31.2%) and NSP3 grant by \$499,955 (123.5%). The CDBG grant revenues decreased by \$496,115 (17.6%), during the same period.

<b>Changes in Net Position For the Years Ended June 30, 2014 and 2013 Governmental Activities</b>		
	<b>2014</b>	<b>2013</b>
<b>Revenues:</b>		
Charges for services	\$ 2,557,653	\$ 3,011,193
Operating grants & contributions	7,085,414	6,054,488
<b>General revenues:</b>		
Investment earnings	<u>4,340</u>	<u>3,947</u>
<b>Total revenues</b>	<b>9,647,407</b>	<b>9,069,628</b>
<b>Expenses:</b>		
Residential rehabilitation	3,941,599	5,849,916
Commercial rehabilitation	27,329	46,181
Public service	210,205	262,160
Public facilities improvement	30,844	6,940
Code enforcement	75,600	81,978
General and administration	<u>876,090</u>	<u>591,972</u>
<b>Total expenses</b>	<b><u>5,161,667</u></b>	<b><u>6,839,147</u></b>
Increase in net position	4,485,740	2,230,481
Net position, July 1	<u>28,897,210</u>	<u>26,666,729</u>
<b>Net position, June 30</b>	<b><u>\$33,382,950</u></b>	<b><u>\$28,897,210</u></b>



Of the total expenses of \$5,161,667, the residential rehabilitation expenses accounted for \$3,941,599 (76.4%), general and administrative expenses for \$876,090 (17.0%) and public service expenses for \$210,205 (4.1%).

The expenses of the Agency decreased by \$1,677,480 (24.5%) during the current year primarily due to \$1,908,317 (32.6%) reduction in residential rehabilitation expenses as offset by \$284,118 (48.0%) increase in general and administrative expenses.

### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

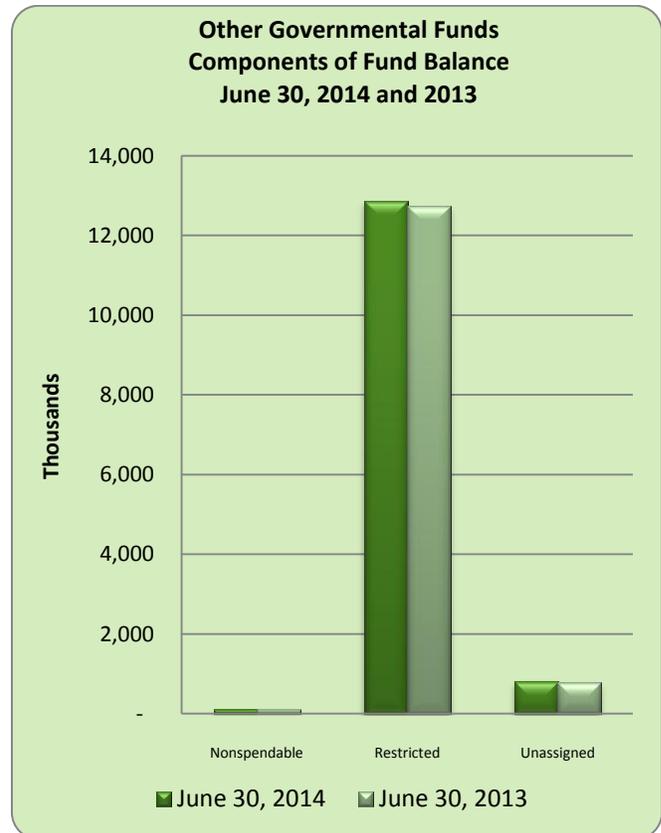
As noted earlier, the Agency uses fund accounting to comply with finance related legal requirements. The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, unreserved fund balances may serve as a useful measure of the Agency's net resources available for spending at the end of the year.

On June 30, 2014, the Agency's governmental funds reported combined ending fund balances of \$14,233,989, an increase of \$124,546 (0.9%) from the prior year. The increase was due to the total revenues of \$10,245,266 exceeding the total expenditures of \$10,120,720.

The nonspendable fund balance which relates to the prepaid items of all funds and properties held for sale of the General Fund was \$567,312, on June 30, 2014. The nonspendable fund balance showed a decrease of \$37,213 (6.2%), from previous year. The fund balance restricted to specific federal grant programs increased

by \$128,048 (1.0%) from \$12,734,757, on June 30, 2013 to \$12,862,805, on June 30, 2014.

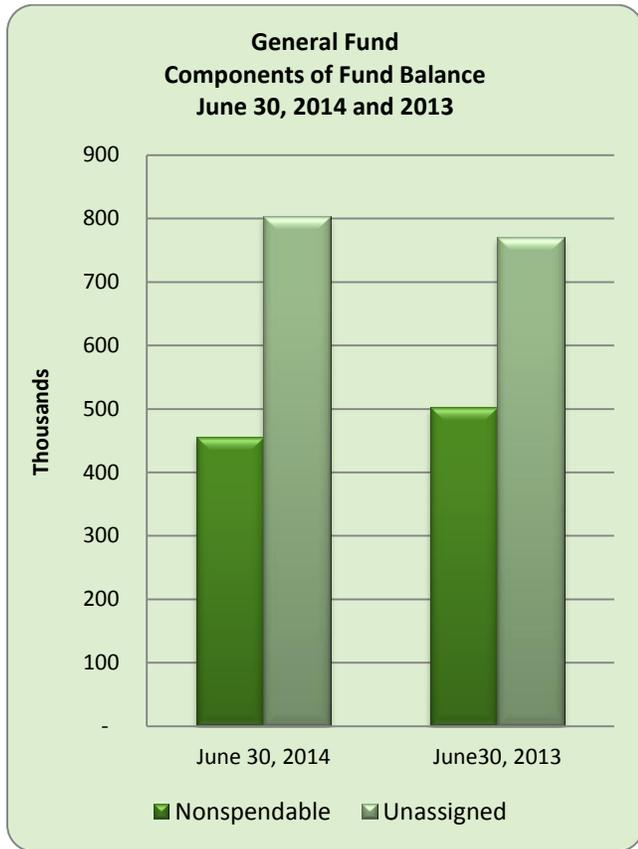
The unassigned fund balance, which is available for discretionary expenditures of the Agency, increased by \$33,709 (4.4%), from \$770,163, on June 30, 2013 to \$803,872, on June 30, 2014.



The Agency's General Fund is used to account for all financial resources except those that are required to be accounted for in another fund. The General Fund revenues are all from non-federal sources.

The CDA's General Fund is used to account for all financial resources except those that are required to be accounted for in another fund. At June 30, 2014, the General Fund had a fund balance of \$1,259,470, which represents 8.8 percent of all governmental fund balances. Of this amount, \$455,598 relates to

prepaid items and properties held for sale and are nonspendable and \$803,872 is unassigned. During the fiscal year ended June 30, 2014, the fund balance of the General Fund decreased by \$13,307 (1.0%). This decrease is comprised of expenditures of \$15,845 in excess of revenues of \$2,537.



The CDBG Fund accounts for the receipt and expenditure of restricted grant proceeds under the U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant program. The CDBG fund had a fund balance at year-end of \$8,641,998, restricted to eligible CDBG expenditures. This is an expenditure driven grant; revenues are only recognized when qualifying grant expenditures are made.

During the current year, the total CDBG Grant revenues and program income was \$4,713,924 and

the total expenditures was \$4,553,618. The result was \$160,304 (1.9%) increase in the fund balance.

The HOME Fund accounts for the receipt and expenditure of the Home Investment and Partnership Funds. The HOME Fund had a balance at year-end of \$2,639,254, all of which is considered restricted to eligible HOME program expenditures. This is an expenditure driven grant; revenues are only recognized when qualifying grant expenditures are made. The HOME Fund balance increased by \$163,297 (6.6%), from previous year. The increase was the result of total grant revenues and program income of \$1,788,791 exceeding the total expenditure of \$1,625,494.

The HOPWA Fund accounts for the receipt and expenditure of HUD program funds to address the specific needs of persons living with HIV/AIDS and their families. The HOPWA Fund had a balance at year-end of \$2,543, all of which is considered restricted to eligible HOPWA program expenditures. This is an expenditure driven grant; revenues are only recognized when qualifying grant expenditures are made. The HOPWA Fund revenues were \$2,472,312 and expenditures were \$2,471,586, resulting in \$726 increase in the fund balance, during the year ended June 30, 2014.

The Neighborhood Stabilization Funds account for the receipt and expenditure of HUD program funds used for the purpose of stabilizing communities that have suffered from foreclosures and abandonment. Through the purchase and redevelopment of foreclosed and abandoned homes and residential properties, the goal of the program is being realized. Neighborhood Stabilization Funds are expenditure driven grant; revenues are only recognized when qualifying grant expenditures are made.

NSP Fund accounts for receipt and expenditure of grant funds authorized under Division B, Title III of the Housing and Economic Recovery Act (HERA) of 2008. NSP Fund had a fund balance of \$576,807, on June 30, 2014. The fund balance had decreased by \$857,576 (59.8%) from \$1,434,384, on June 30, 2013, due to excess of expenditures of \$1,048,800 over revenues of \$191,224.

NSP3 Fund accounts for receipt and expenditure of grant funds authorized under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) of 2010. The fund balances of NSP3 Fund were \$1,113,383 and \$442,667, on June 30, 2014 and 2013, respectively. The increase of \$670,716 (151.5%) was due to the revenues of \$911,844 exceeding the expenses of \$241,127.

Long Island Green Homes (LIGH) Fund. This special revenue fund accounts for the receipt and expenditures of the Energy Efficiency and Conservation Block Grant Funds for outreach activities. This grant is received from the U.S. Department of Energy and is passed through the New York State Energy Research and Development Authority ("NYSERDA") and Long Island Community Development Corporation, In.

The homeowners are provided assistance to participate in the "Home Performance with Energy Star Program". The program is designed to provide Town residents with free or reduced cost energy audits, utility rebates and low cost financing for the installation of energy efficiency measures.

At June 30, 2014 and 2013, the LIGH Fund had no fund balance. The revenues and expenditures of LIGH

fund were \$74,683, during the year ended June 30, 2014.

Emergency Solution Program (ESG) Fund accounts for the receipt and disbursement of funds related to the HUD-funded Emergency Solution Grant Program. The ESG grant provides homeless persons with basic shelter and essential supportive services. This is an expenditure driven grant; revenues are only recognized when qualifying grant expenditures are made. At June 30, 2014 and 2013, the ESG Fund had nonspendable and restricted balances of \$534 and \$150, respectively. The revenues and expenses of ESG Fund were \$89,851 and 89,567, respectively, during the current year.

#### Capital Assets

As of June 30, 2014, the Agency's investment in capital assets amounts to \$2,052,296 (net of accumulated depreciation). This investment in capital assets includes: land buildings, equipment, vehicles, furniture and equipment.

During the current year, there was no addition to the capital assets. The capital assets decreased by \$120,242, due to depreciation charges.

<b>Capital Assets June 30,</b>		
	<u><b>2014</b></u>	<u><b>2013</b></u>
Land	\$524,983	\$524,983
Buildings	3,701,838	3,701,838
Machinery and equipment	<u>128,387</u>	<u>128,387</u>
Total capital assets	4,355,208	4,355,208
Less accumulated depreciation	<u>(2,302,912)</u>	<u>(2,182,670)</u>
Total capital assets, net	<u>\$2,052,296</u>	<u>\$2,172,538</u>

Additional information on the Agency’s Capital Assets can be found in Note 3 of the Notes to the Financial Statements on page 33. The decrease in building and related accumulated depreciation reflects the sale of a building.

**Debt Administration**

The Town of Islip Community Development Agency issues General Obligation Bonds. The Agency may contract indebtedness only for Agency purposes and pledges its full faith and credit for the payment of principal and interest.

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

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

*Payment and Maturity* – Except for certain short-term indebtedness to be paid within three fiscal year periods, indebtedness will be paid in annual installments commencing no later than two years after the date such indebtedness has been contracted and ending no later than the expiration of the period of probable usefulness of the object of purpose as determined by statute; no installment may be more than fifty percent (50%) in excess of the smallest prior installment unless the Agency authorized the issuance

of bonds with substantial level or declining debt service.

The Agency is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness, for the amounts required in such year for amortization and redemption of its general obligation bonds, and for such required annual installments on its notes.

The long-term liabilities of the Agency decreased by \$846,118 (44.8%) from \$1,890,470, at June 30, 2013 to \$1,044,352, at June 30, 2014. The decrease was due to the repayment of the \$140,000 matured instalments and defeasance of the \$660,000 outstanding balance of Section 108 Serial Bond; the net decrease of \$134,438 in liability for vacation and sick leaves; and \$87,930 increase in other postemployment benefits (OPEB).

<b>Long-term Liabilities</b>		
<b>June 30,</b>		
	<b><u>2014</u></b>	<b><u>2013</u></b>
Section 108 Serial Bonds	\$ -	\$800,000
Other post-employment benefits (OPEB)	655,759	567,829
Liability for compensated absences	<u>388,593</u>	<u>522,641</u>
<b>Total long term debt</b>	<b><u>\$1,044,352</u></b>	<b><u>\$1,890,470</u></b>

Additional information on the Agency’s long-term debt can be found in Note 3 of the Notes to the Financial Statements on pages 34 to 38.

**Economic Factors and Next Year’s Plans**

The employment conditions have improved in the Town of Islip. However, as shown in the following table the unemployment rate in the town remained

above those of the Nassau and Suffolk Counties, on June 30, 2014.

<b>Town of Islip, Suffolk County and Nassau County Comparative Data on Labor Force, Employment and Unemployment Rates June 30, 2014</b>			
	Labor		Unemployment
	<u>Force</u>	<u>Employed</u>	<u>Rate (%)</u>
Town of Islip	180,500	171,100	5.2
Suffolk County	799,500	759,800	5.0
Nassau County	706,000	672,000	4.8

The inflation rate was relatively low due to the decline in oil prices. The twelve month percentage change in Consumer Price Index for New York-Northern New Jersey-Long Island (CPI-U not seasonally adjusted) was 1.7%, in June 2014.

Generally, the Town of Islip is focusing its community revitalization in low and moderate income neighborhoods. Identified needs include: neighborhood clean-up, downtown and commercial revitalization and economic development, including job training. Special attention is also given to public service programs offered by not for-profit agencies which operate in low and moderate income

The Town of Islip has identified eight priorities for housing and community needs, and has many programs to address its identified housing needs. The priorities are: (1) expand housing opportunities for very low and other low income renters; (2) improve housing for very low and other low income homeowners; (3) expand owner occupied housing opportunities for very low and other low income first-time homebuyers; (4) facilitate the location of housing for the homeless and households with special needs; (5) expand employment opportunities for low and moderate income persons; (6) Stabilize and improve the quality of neighborhoods; (7) provide equal access to public facilities and private homes through the removal of architectural barriers; (8) and

break the cycle of poverty by addressing the needs of disadvantaged children and other special needs populations.

Federal appropriation levels, particularly funding for the CDBG continue to have a major impact on the Agency's economic position. This federal funding represents a significant portion of total revenues. Federal revenues are anticipated to be relatively stable in the next budget period. However, as the Agency's fiscal year runs over two federal years, it is difficult to anticipate what total federal funding will be. Should federal funding be less than anticipated, this could have a negative impact on Agency operation.

New funds were made available by Congress to areas hit hard by sub-prime loans and foreclosures through the Housing and Economic Recovery act of 2008. This new initiative, named the Neighborhood Stabilization Program by HUD, provided additional funds and will continue to serve as a source of program income to the Agency to address these needs.

The Agency's programs expand housing opportunities for very low, low and moderate income first-time homebuyers through the CDBG and HOME funded Rent-With-Option-to-Buy and Direct Sale programs. The Emergency Solutions Grant provides homelessness prevention and re-housing services for individuals/families at risk of homelessness, as do certain projects within the CDBG and HOME Programs. HOPWA, through sub-recipient housing agencies, provides rental housing for those afflicted with AIDS. The plan for the fiscal year ending June 30, 2015 includes the following estimated funding sources:

**Estimated Sources of Funds  
For the Year Ending June 30, 2015**

	Program		<u>Total</u>
	<u>Grant</u>	<u>Income</u>	
CDBG	\$1,578,631	\$800,000	\$2,378,631
HOME	467,025	100,000	567,025
HOPWA	1,750,966	-	1,750,966
ESG	<u>131,247</u>	<u>-</u>	<u>131,247</u>
<b>Total</b>	<b>\$3,927,869</b>	<b>\$900,000</b>	<b>\$4,827,869</b>

Approximately \$625,000 or, 26% of the CDBG budget is allocated to housing rehabilitation for low and moderate income homeowners. On the community development side, approximately ten percent (10%) of the CDBG budget is allocated to public service programs designed to break the cycle of poverty. Most public service funds are awarded to agencies that serve low and moderate income youths, with the remainder going to those serving special needs or illiterate adults. Another two percent (2%) is allocated to community improvement such as storefront renewals, code enforcement and public works. Most of these projects focus on the Town’s struggling downtown areas.

**Contacting the Agency’s Financial Management**

This financial report is designed to provide the Agency’s citizens, taxpayers, customers’ investors and creditors with a general overview of the Agency’s finances and to demonstrate the Agency’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town of Islip Community Development Agency Finance Department at (631) 665-1185.

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



**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 3,480,076
Prepaid items	112,650
Due from other Government	570,982
Loans and mortgages due within one year	691,623
Escrow cash	201,683
Land and building held for sale	10,860,675
Loans and mortgages receivable- more than one year	17,449,394
Capital assets:	
Non-depreciable	524,983
Depreciable, net	<u>1,527,313</u>
Total assets	<u>\$ 35,419,379</u>

**LIABILITIES AND NET POSITION**

Current liabilities:	
Accounts payable	\$ 748,946
Pension plan payable	39,755
Client escrow funds payable	201,683
Due to Islip Housing Development Fund Co., Inc. – due within one year	1,693
Compensated absences due in one year	107,044
OPEB payable	655,759
Compensated absences - due in more than one year	<u>281,549</u>
Total liabilities	2,036,429
Net position	
Invested in capital assets	2,052,296
Restricted to federal programs	30,015,279
Unrestricted net assets	<u>1,315,375</u>
Total net assets	<u>\$ 33,382,950</u>

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

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

	Program Revenues				Net Revenue (Expense) and Changes in Net position Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Total	
<b>Home and community functions:</b>					
Residential rehabilitation	\$(3,941,599)	\$2,557,653	\$6,446,884	\$9,004,537	\$5,062,938
Commercial rehabilitation	(27,329)	-	16,659	16,659	(10,670)
Public service programs	(210,205)	-	128,522	128,522	( 81,683)
Public facilities improvement	( 30,844)	-	30,000	30,000	(844)
Code enforcement	( 75,600)	-	75,000	75,000	(600)
General and administration	(876,090)	-	388,349	388,349	(487,741)
<b>Total home and community functions</b>	<u><u>\$(5,161,667)</u></u>	<u><u>\$2,557,653</u></u>	<u><u>\$7,085,414</u></u>	<u><u>\$9,643,067</u></u>	4,481,400
					4,340
					<u>4,340</u>
					4,485,740
					<u>28,897,210</u>
					<u>\$33,382,950</u>

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



***BASIC FINANCIAL STATEMENTS:  
FUND FINANCIAL STATEMENTS***



**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	General Fund	Home Investment Partnership Program	HOPWA Program	Community Development Block Grant	NSP	NSP3	Nonmajor	Total Govern- mental Funds
<b><u>ASSETS</u></b>								
Cash	\$804,212	\$104,435	\$102	\$2,516,913	\$54,254	\$-	\$160	\$3,480,076
Escrow accounts-clients taxes, insurance, security	152,251	11,935		36,345	1,152	-	-	201,683
Due from other governments	-	25,240	254,453	270,110	-	-	21,179	570,982
Accounts and mortgages receivable	55,905	5,438,664	-	10,430,337	2,216,111	-	-	18,141,017
Properties held for sale	454,662	2,611,289	-	6,114,524	566,817	1,113,383	-	10,860,675
Prepaid Expenses	936	17,253	2,442	89,512	2,122	-	385	112,650
Due from emergency shelter	-	-	-	10	-	-	-	10
<b>Total assets</b>	<b>\$1,467,966</b>	<b>\$8,208,816</b>	<b>\$256,997</b>	<b>\$19,457,751</b>	<b>\$2,840,456</b>	<b>\$1,113,383</b>	<b>\$21,724</b>	<b>\$33,367,093</b>
<b><u>LIABILITIES</u></b>								
Accounts payable	\$ -	\$116,511	\$251,374	\$313,778	\$46,386	\$ -	\$20,897	\$748,946
Pension plan payable	340	2,452	3,080	33,600	-	-	283	39,755
Due to IHDFC	-	-	-	1,693	-	-	-	1,693
Due to CDBG	-	-	-	-	-	-	10	10
Liability for client escrow deposits	152,251	11,935	-	36,345	1,152	-	-	201,683
<b>Total liabilities</b>	<b>152,591</b>	<b>130,898</b>	<b>254,454</b>	<b>385,416</b>	<b>47,538</b>	<b>-</b>	<b>21,190</b>	<b>992,087</b>
<b><u>DEFERRED INFLOWS</u></b>								
Unavailable resources – long-term receivables	55,905	5,438,664	-	10,430,337	2,216,111	-	-	18,141,017
<b><u>FUND BALANCES</u></b>								
No spendable	455,598	17,253	2,442	89,512	2,122	-	385	567,312
Restricted-to Community Development	-	2,622,001	101	8,552,486	574,685	1,113,383	149	12,862,805
Unassigned	803,872	-	-	-	-	-	-	803,872
<b>Total fund balances</b>	<b>1,259,470</b>	<b>2,639,254</b>	<b>2,543</b>	<b>8,641,998</b>	<b>576,807</b>	<b>1,113,383</b>	<b>534</b>	<b>14,233,989</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$1,467,966</b>	<b>\$8,208,816</b>	<b>\$256,997</b>	<b>\$19,457,751</b>	<b>\$2,840,456</b>	<b>\$1,113,383</b>	<b>\$21,724</b>	<b>\$33,367,093</b>

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

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
GOVERNMENT-WIDE STATEMENT OF NET POSITION  
JUNE 30, 2014**

Total Governmental Fund Balances	\$ 14,233,989
Amounts reported for Governmental Activities in the Statement of Net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,052,296
Loans receivable which are not available to pay the current-period expenditures and therefore are deferred inflows in the funds.	18,141,017
Long-term liabilities including compensated absences and other post-employment benefits that are not due and payable in current-period and, therefore are not reported in the funds	<u>(1,044,352)</u>
Net position of Governmental Activities	\$ <u>33,382,950</u>

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

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

	FOR THE YEAR ENDED JUNE 30, 2014							
	Home Investment Partnership Program	HOPWA Program	Community Development Block Grant	NSP	NSP3	Nonmajor	Total Govern- mental Funds	
<b>Revenues</b>	<b>General Fund</b>							
Federal Aid	\$ -	\$1,223,450	\$2,472,312	\$2,320,172	\$ -	\$904,844	\$164,634	\$7,085,412
Departmental income:								
Other program income	585	155,799	-	445,748	116,094	7,000	-	725,226
Sub-recipient program income	-	-	-	-	-	-	-	-
Repayment of loans and mortgages	-	262,526	-	1,481,901	75,130	-	-	1,819,557
Use of money and property:								
Rental income	-	147,016	-	463,715	-	-	-	610,731
Interest income	1,952	-	-	2,388	-	-	-	4,340
<b>Total Revenues</b>	<b>2,537</b>	<b>1,788,791</b>	<b>2,472,312</b>	<b>4,713,924</b>	<b>191,224</b>	<b>911,844</b>	<b>164,634</b>	<b>10,245,266</b>
<b>Expenditures</b>								
Current								
Residential rehabilitation & development	-	1,502,290	2,293,997	2,919,916	1,016,793	170,222	153,931	8,057,149
Public facilities improvement	-	-	-	30,600	-	-	-	30,600
Public service programs	-	-	-	208,536	-	-	-	208,536
Commercial rehabilitation & development	-	-	-	27,112	-	-	-	27,112
Code enforcement	-	-	-	75,000	-	-	-	75,000
General	15,845	123,204	177,589	439,268	32,007	70,905	10,319	869,137
Capital	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	800,000	-	-	-	800,000
Interest and other charges	-	-	-	53,186	-	-	-	53,186
<b>Total Expenditures</b>	<b>15,845</b>	<b>1,625,494</b>	<b>2,471,586</b>	<b>4,553,618</b>	<b>1,048,800</b>	<b>241,127</b>	<b>164,250</b>	<b>10,120,720</b>
Excess (deficiency) of revenues over (under) expenditures	(13,308)	163,297	726	160,306	(857,576)	670,717	384	124,546
Fund balances, beginning of year	1,272,778	2,475,957	1,817	8,481,692	1,434,383	442,666	150	14,109,443
<b>Fund balances, end of year</b>	<b>\$1,259,470</b>	<b>\$2,639,254</b>	<b>\$ 2,543</b>	<b>\$8,641,998</b>	<b>\$ 576,807</b>	<b>\$1,113,383</b>	<b>\$534</b>	<b>\$14,233,989</b>

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

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

Reconciliation of the change in fund balances - total governmental funds to the change in net position of governmental activities

Net change in fund balances - total governmental funds \$ 124,546

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as Depreciation expense.

Depreciation expense (120,242)

For governmental funds, loans made that are not expected to be repaid in the near future are offset with deferred inflows 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.

3,582,133

Repayment of principal is expenditure in the governmental funds and is a deduction from the fund balance, but the repayment reduces long-term liabilities in the Statement of Net position.

Serial bond obligation principal payments 800,000

Certain expenses reported in the Statement of Activities that do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

99,303

Change in net position of governmental activities \$ 4,485,740

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



## ***BASIC FINANCIAL STATEMENTS: NOTES TO THE FINANCIAL STATEMENTS***

The notes provide a summary of significant accounting policies and other disclosures required for a fair presentation of the basic financial statements.



**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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

**A. Description of Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. The Agency has only governmental activities, which are normally supported by intergovernmental revenues, charges for services and other nonexchange transactions. The Agency does not have fiduciary activities, business-type activities or component units.

**B. Financial Reporting Entity**

Town of Islip Community Development Agency is a public benefit corporation which was created by New York State legislation in 1976 at the request of the Town of Islip. It functions as an "Urban Renewal Agency" under Articles 15, 15-A, and Section 633 of Article 15-B of the General Municipal Laws of the State of New York. While it is an independent entity from the Town of Islip government, the Town Board appoints all members of the CDA Board of Directors and the Town Board annually directs the CDA to implement housing and community developments projects on behalf of the Town. The mission of the Agency is to assist low and moderate income residents of the Town through housing and public service programs; and to remove blighted conditions.

The Agency has been designated by the Town of Islip to administer its federally funded programs

from the U.S. Department of Housing and Urban Development. These programs include: the Community Development Block Grant Program, the Home Investment Partnership Program, Neighborhood Stabilization Grant Programs, the Emergency Solutions Grant Program, and the Housing Opportunities for Persons with AIDS Program.

**C. Basis of Presentation - Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities incorporate data from governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**D. Basis of Presentation - Fund Financial Statements**

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major governmental funds. Each individual major governmental fund is reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

The government reports the following major governmental funds:

### Major funds:

General Fund. The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

### Special Revenue Funds:

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

Home Investment Partnership Program Fund - This special revenue fund accounts for the receipt and disbursement of funds related to the U.S. Department of Housing and Urban Development (HUD) funded Home Investment Partnership Program Funds (HOME). HOME provides grants—often in partnership with local nonprofit groups—to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people. The Agency supplements HOME fund expenditures with CDBG funds. Rental income is used by the HOME fund or is transferred to the CDBG fund for eligible expenditures.

HOPWA Program Fund - This special revenue fund accounts for the receipt and disbursement of funds related to the U.S. Department of Housing and Urban Development (HUD) funded Housing Opportunities for Persons with AIDS Grant program. The HOPWA Program was established by HUD to address the specific needs of persons living with HIV/AIDS and their families. HOPWA makes grants to local communities, States, and nonprofit organizations for projects that benefit low income

persons medically diagnosed with HIV/AIDS and their families.

The Neighborhood Stabilization (NSP) Fund. - This special revenue fund accounts for receipt and expenditure of grant funds authorized under Division B, Title III of the Housing and Economic Recovery Act (HERA) of 2008. The funds are provided for the purpose of stabilizing communities that have suffered from foreclosures and abandonment.

The Neighborhood Stabilization 3 (NSP3) Fund. - This special revenue fund accounts for receipt and expenditure of grant funds authorized under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) of 2010.

Community Development Block Grant Fund - This special revenue fund accounts for the receipt and disbursement of funds related to the U.S. Department of Housing and Urban Development (HUD) funded Community Development Block Grant (CDBG) program. The CDBG program works to ensure decent affordable housing, to provide services to the most vulnerable in our communities, and to create jobs through the expansion and retention of businesses. The CDBG Fund is comprised of the following five sub-funds:

- *CDBG Fund* – This CDBG fund accounts for the receipt and disbursement of funds related to Community Development Block Grants from the U.S. Department of Housing and Urban Development (HUD) funded (CDBG) program and the related program incomes.
- *RUM Fund* – The Rental Unit Management fund (RUM) accounts for the receipts and

disbursements of funds related to eight residential units owned by the Agency in the Collegewood area of the Town of Islip.

- *ATC Fund* – The Applied Technology Center fund (ATC) accounts for the receipts and disbursements of funds related to the Applied Technology Center (business incubator) in Bay Shore.
- *EIC Fund* – The East Islip Congregate Fund (EIC) accounts for the receipts and disbursements of funds related to the 13 housing units located at Harwood Avenue in East Islip, New York. These units are rented to Section 8 Housing Voucher recipients
- *911 Lowell Avenue Fund* - This fund accounts for the receipts and disbursements of funds related to the construction of senior citizen apartments to house 4 senior citizens in their own studio apartments in Central Islip.

**Non- Major Funds:**

Emergency Solutions Grant (ESG) Fund - This special revenue fund accounts for the receipt and disbursement of funds related to the U.S. Department of Housing and Urban Development (HUD) funded Emergency Shelter program. The Emergency Shelter Grants program provides homeless persons with basic shelter and essential supportive services. It can assist with the operational costs of the shelter facility, and for the administration of the grant. ESG also provides short-term homeless prevention assistance to persons at imminent risk of losing their own housing due to eviction, and foreclosure.

Long Island Green Homes (LIGH) Fund. This special revenue fund accounts for the receipt and expenditures of the Energy Efficiency and Conservation Block Grant Funds for outreach activities. This grant is received from the U.S. Department of Energy and is passed through the New York State Energy Research and Development Authority ("NYSERDA") and Long Island Community Development Corporation, Inc. The LIGH grant is expenditure driven.

**E. Measurement Focus, Basis Of Accounting, And Financial Statement Presentation**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide 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, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon

enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Charges for services and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend).

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). All other revenue items are considered to be measurable and available only when cash is received by the government.

#### **F. Budgetary Information**

The Agency annually develops and submits its [Consolidated Plan](#) to the U.S. Department of Housing and Urban Development. The Consolidated Plan is the Agency's comprehensive

planning document and application for funding under the CDBG, [HOME HOPWA](#), NSP and [ESG](#) grants.

In its Consolidated Plan, the Agency identifies its goals for these programs as well as for housing programs. The goals will serve as the criteria against which HUD evaluates the Agency's Plan and its performance under the Plan. Also, the Consolidated Plan includes several required certifications, including that not less than 70% of the CDBG funds received, over a one, two or three year period specified by the Agency, will be used for activities that benefit low- and moderate-income persons, and that the Agency will affirmatively further fair housing.

HUD will approve a Consolidated Plan submission unless the Plan (or a portion of it) is inconsistent with the purposes of the National Affordable Housing Act or is substantially incomplete. Following approval, HUD makes a full grant award. As required by HUD, the Agency holds Public Hearings before adopting the annual plan. The Agency annual ("the Program Year") budget allotment does not expire at the year end. The grant contract period is for two years or until the projects included in the budget are completed. The completion of the projects could take several years.

The Agency established annual budgetary planning control for its CDBG Fund. The Agency adopts an annual budget on or before May 31 for the ensuing fiscal year. The CDBG fund is not a legally adopted budget, but is a non-appropriated budget for planning purposes that is subjected to public hearing and approved by Agency's Board of Directors.

The Agency utilizes an encumbrance system as a management control technique to assist in controlling expenditures. All appropriations lapse at the end of the fiscal year. The amount of outstanding encumbrances was not material as of June 30, 2014.

**G. Assets, Liabilities and Net Position/Fund Balance**

*1. Cash and cash equivalents*

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 Agency. Cash balances in excess of Federal Deposit Insurance Corporation limits are collateralized by municipal notes and U.S. Treasury Notes.

*2. Investments*

The Agency's reports all investments at fair value. The Agency's investment policy requires the Agency to follow State statutes which allow the Agency 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. The Agency did not have any investments in the year ended June 30, 2014.

*3. 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.

*4. Restricted assets.*

Restricted cash include escrow amounts held for participants in the Agency's housing programs.

*5. Capital Assets*

Capital assets, which include land, buildings, furniture and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Assets contributed (donated) 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 assets lives 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 of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. The other capital assets are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	15 years
Buildings and improvements	10-40 years
Furniture and equipment	3-10 years

## *6. Deferred Inflows and Outflows*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Agency does not have any item that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Agency has certain items, which arises only under a modified accrual basis of accounting, which qualify for reporting in this category. Accordingly, unavailable revenues and unavailable resources such as long-term loans and mortgages receivable are deferred in the balance sheet and are recognized as an inflow of resources in the period that the amounts become available.

Mortgages receivable, which arise from the financing of residential building sales or rehabilitation, are reported at the outstanding principal balance and are secured by the lots sold. For governmental funds, residential rehabilitation and other loans made that are not expected to be repaid in the near future are credited to deferred inflows. The 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.

## *7. Unearned revenues*

Unearned revenues arise, in government-wide financial statements, when grant monies are received prior to incurring qualifying expenditures/expenses. In subsequent periods, when the revenue recognition criteria are met the revenue is recognized.

## *8. Allowance for Uncollectible Loans Receivable*

An allowance is provided on each note if the fair value of the collateral is less than the outstanding principal and interest balance of the mortgage. Mortgages receivable are considered past due after fifteen days, delinquent after thirty days and collection proceedings begin after three months. Bad debts due to bankruptcies and foreclosures are charged to expense when measurable.

Based on prior years' collection history, the Agency has estimated that it did not have any uncollectable loans receivable, as of June 30, 2014.

## *9. Land and buildings held for resale*

Land and buildings acquired for rehabilitation and held for resale are valued at the lower of cost or net realizable value and are recorded in the General Fund, the Home Investment Partnership Program and Community Development Block Grant Program. Impairment losses are classified by the function that generates them and are treated as residential rehabilitation expenses. The recovery gains are revenues related to residential rehabilitation expenses and are included in residential rehabilitation program income.

### *10. Other Assets*

Other assets held are recorded and accounted for at cost.

### *11. Long-term obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as insurance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount and deferred amounts on refunding.

In the fund financial statements, Governmental Fund types recognize bond premiums and discounts, as well as bond insurance costs, as expenditures during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### *12. Classification of net position*

Net position in the government-wide statements is classified in the following categories:

Net investment in capital assets - the amount of net position representing capital assets net of accumulated depreciation and related debt.

Restricted net position - the amount of net position for which external restriction have been imposed by grantors and laws or regulations, or other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – the amount of net position that do not meet the definition of restricted or invested in capital assets, net of related depreciation and debt.

### *13. Net position flow assumption*

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

### *14. Fund balance flow assumptions*

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### 15. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board of Directors has by resolution authorized the finance director to assign fund balance. The Board of Directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an

additional action is essential to either remove or revise a commitment.

## H. Revenues and Expenditures/Expenses

### 1. Program Revenues

Amounts reported as program revenues include: 1) charges to applicants who purchase, use or directly benefit from good and services, or privileges provided by a given function or segment and 2) grant and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All other internally dedicated resources are reported as general revenues rather than as program revenues.

### 2. Compensated Absences

Vacation. The government's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Sick Leave. Monetary obligation exists to employees for accumulated sick leave upon their separation from service.

Accrual of vacation and sick leave is dependent upon many factors; therefore, timing of future payments is not readily determinable. However,

management believes that sufficient resources will be made available for the payments of vacation and sick leave and compensatory absences when such payment becomes due.

#### **A. New Accounting Pronouncements**

In March 2012, the Governmental Accounting Standards Board (GASB) issued two Statements: Statement No. 65, Items Previously Reported as Assets and Liabilities, and GASB Statement No. 66, Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62

GASB Statement No. 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. Debt issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred. Prepaid insurance costs are reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt.

For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Under GASB Statement No. 66, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in GASB Statement No. 54, Fund

Balance Reporting and Governmental Fund Type Definitions. This Statement modifies the specific guidance on accounting for operating lease payments that vary from a straight-line basis, the difference between the initial investment and the principal amount of a purchased loan or group of loans, and servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current servicing fee rate.

The provisions of Statements No. 65 and No. 66 are effective for periods beginning after December 15, 2012. The adoption of these statements does not affect the financial statements of the Agency.

In June 2012, GASB issued Statement No. 67, Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25. For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and non-employer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented.

The provisions of Statement 67 are effective for financial statements for fiscal years beginning after June 15, 2013. Earlier application is encouraged.

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a cost-sharing employer is required to recognize a liability for its proportionate share of the net pension liability of the collective net pension liability, on a basis that is consistent with the manner in which contributions

to the pension plan are determined. The employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

In the notes to financial statements, the employers should identify the discount rate; assumptions made in the measurement of their proportionate shares of net pension liabilities and disclose information about how their contributions to the pension plan are determined. Also, the employer should disclose as Required Supplementary Information (RSI) 10-year schedules containing (1) the net pension liability and certain related ratios and (2) if applicable, statutorily or contractually required contributions and related ratios. The Agency has adopted this Statement and it is effective for fiscal year ending June 30, 2016.

In January 2013, GASB issued Statement No. 69 Government Combinations and Disposals of Government Operations. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations and require measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. The notes to the financial statements should disclose information about government combinations and disposals of operations to enable the reader to evaluate the nature and financial effects of those transactions. The provisions of Statement 69 are effective in financial reporting periods beginning after December 15, 2013. The adoption of this

statement does not affect the financial statements of the Agency.

In April 2013, GASB issued Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred.

The provisions of Statement No. 70 are effective for financial statements for reporting beginning after June 15, 2013. Earlier application is encouraged. The adoption of this statement does not affect the financial statements of the Agency.

In November 2013, GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent To the Measurement Date—An Amendment of GASB Statement No. 68. This Statement amends 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 guidance amends GASB Statement No. 68 and is required to be applied simultaneously with the provisions of GASB Statement No. 68, which is effective for financial statements of the Agency for the year ending June 30, 2016.

Reclassification. Certain items related to previous period financial statements have been reclassified to conform to the present year presentation.

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**

The governmental fund balance sheet includes reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of this \$2,052,296 are as follows:

Land	\$524,983
Buildings	3,701,839
Less: Accumulated depreciation-buildings	(2,193,336)
Machinery, equipment, and vehicles	128,386
Less: Accumulated depreciation-machinery, equipment, and vehicles	<u>(109,576)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$2,052,296</u>

The next element of that reconciliation explains that “long-term liabilities, including compensated absences and other post-employment benefits which are not due and payable in the current period and therefore are not reported in the funds.” The details are as follows:

Compensated absences	\$(655,759)
Other postemployment benefit obligations	<u>(388,593)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$(1,044,352)</u>

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. Due to having no increase in capital assets, this is the amount of decrease in capital assets for depreciation expense in the current period. The details of this \$120,242 difference are as follows:

Capital outlay	\$ -
Depreciation expense	<u>(120,242)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$(120,242)</u>

Another element of that reconciliation states that “For governmental funds, loans made that are not expected to be repaid in the near future are offset

with deferred inflows 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.” The details of this \$3,582,132 difference are as follows:

Loans collected during the year	\$ (597,861)
Loans made during the year	<u>4,179,994</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	\$ <u>3,582,133</u>

Another element of that reconciliation states that “Repayment of principal is expenditure in the governmental funds and is a deduction from the fund balance, but the repayment reduces long-term liabilities in the Statement of Net position”. Since no new debt was issued this amount represent the repayment of the debt. The details of this \$800,000 difference are as follows:

Debt issued or incurred:	\$ -
Payment to escrow agent for refunding	<u>(800,000)</u>
Net adjustment to decrease changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	\$(800,000)

Another element of that reconciliation states that “Certain expenses reported in the Statement of Activities that do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$99,303 difference are as follows:

Compensated absences	\$134,048
Accrued interest	53,186
Net other postemployment benefits obligation	<u>(87,931)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u>\$99,303</u>

**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Cash Deposits with Financial Institutions**

As of June 30, 2014, the reconciliation of the carrying amount of cash was as follows:

<b>CASH AND CASH EQUIVALENTS</b>	
Cash and cash equivalents	\$ 3,480,076
Restricted cash – escrow funds	<u>201,683</u>
Total cash and equivalents	\$ <u>3,681,759</u>
Petty cash	\$ 200
Demand deposits	1,013,144
Money market accounts	<u>2,668,415</u>
Total cash and equivalents	\$ <u>3,681,759</u>

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

*Interest rate risk.* In accordance with its cash management and investment policy, the Agency manages its exposure to declines in fair values by

investing its excess cash in money market accounts.

*Custodial and credit risk.* In the case of deposits, this is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency's bank balances of deposits were either entirely insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized with securities pledged in third party custodial accounts of the pledging financial institutions in the Agency's name. The collateral amounts are as required by Agency's custodial bank agreement at 102.0% or 105.0%. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

**B. Loans Receivable**

Amounts are aggregated into loans receivable (net of allowance for uncollectible amounts) lines for certain funds and aggregated columns. Below are the detail changes in loans receivable, during the year ended June 30, 2014:

<b>CHANGES IN LOANS RECEIVABLE</b>				
<b>Fund</b>	<b>Balance June 30, 2013</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2014</b>
CDBG	\$9,319,639	\$1,616,985	\$(450,382)	\$10,486,242
HOME	3,855,212	1,705,000	(121,548)	5,438,664
NSP	<u>1,365,258</u>	<u>872,000</u>	<u>(21,147)</u>	<u>2,216,111</u>
<b>Total</b>	<b>\$14,540,109</b>	<b>\$4,193,985</b>	<b>\$(593,077)</b>	<b>\$18,141,017</b>

Allowances for uncollectible loans are not material.

**C. Land and Buildings Held for Sale**

During the year ended June 30, 2014, the changes in land and buildings held for sale were as follows:

<b>CHANGES IN LAND AND BUILDINGS HELD FOR SALE</b>				
<b>Fund</b>	<b>Balance June 30, 2013</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2014</b>
CDBG	\$5,801,595	\$1,463,045	\$(1,150,116)	\$6,114,524
HOME	2,418,160	948,213	(755,084)	2,611,289
NSP	1,420,691	39,467	(893,341)	566,817
NSP3	438,340	845,265	(170,222)	1,113,383
General	<u>501,483</u>	<u>-</u>	<u>(46,821)</u>	<u>454,662</u>
<b>Total</b>	<b>\$10,580,269</b>	<b>\$3,295,990</b>	<b>\$(3,015,584)</b>	<b>\$10,860,675</b>

**D. Capital Assets**

Under the current accounting policy of the Agency, the capital assets include land, land improvements, buildings, building improvements, furniture and equipment. Capital assets activities for the year ended June 30, 2014 were as follows:

<b>CAPITAL ASSETS ACTIVITIES</b>				
	<b>Balance June 30, 2013</b>	<b>Addition</b>	<b>Disposition</b>	<b>Balance June 30, 2014</b>
Governmental activities				
Non-depreciable assets: Land	\$ 524,983	\$ -	\$ -	\$ 524,983
Depreciable assets:				
Buildings and improvements	3,701,838	-	-	3,701,838
Machinery and equipment	<u>128,387</u>	<u>-</u>	<u>-</u>	<u>128,387</u>
<b>Total</b>	<b>3,830,225</b>	<b>-</b>	<b>-</b>	<b>3,830,225</b>
Total capital assets	4,355,208	-	--	4,355,208
Less accumulated depreciation:	<u>(2,182,670)</u>	<u>-</u>	<u>(120,242)</u>	<u>(2,302,912)</u>
Total governmental capital assets, net	<b>\$ 2,172,538</b>	<b>\$ -</b>	<b>\$(120,242)</b>	<b>\$2,052,296</b>

The following is a summary of the cost of properties held for lease at June 30, 2014:

<b>COST OF PROPERTIES</b>	
Residential properties	\$ 2,463,248
Less: accumulated Depreciation	<u>(1,808,674)</u>
Residential properties, net	654,574
Commercial properties	1,763,573
Less: accumulated Depreciation	<u>(508,473)</u>
Commercial Properties, net	<u>1,255,100</u>
Total cost of properties, net	\$ <u>1,909,674</u>

Depreciation expense of \$120,242 for the year ended June 30, 2014 was charged to different functions as follows:

<b>DEPRECIATION EXPENSE</b>	
Residential rehabilitation	\$ 104,538
Commercial rehabilitation & development	352
Public facilities improvement	397
Public service	2,706
Code enforcement	973
General	<u>11,276</u>
Total depreciation	\$ <u>120,242</u>

#### **E. Leases**

The Town of Islip Community Development Agency leases out a commercial property under annual operating leases. The Agency also leases out residential properties to persons and families of low income under operating leases expiring within one year.

#### **F. Long-Term Liabilities**

##### *Governmental activities: Serial bonds*

In December of 1997, the Agency had obtained loan guarantee assistance from the U.S. Department of Housing and Urban Development to borrow \$2,000,000. These Section 108 loan funds were utilized by the Agency to make a loan to

Touro College in the principal amount of \$2,000,000.

On April 28, 1999, the outstanding funds were converted into twenty-year serial bonds through a public offering by the U.S. Department of Housing and Urban Development pursuant to the Housing and Community Development Act of 1974, as amended.

The serial bonds payable by the Agency totaled \$1,960,000 with interest rates of 4.95% to 6.72% and maturity dates of August 1, 1999 through August 1, 2018. Interest payments were due on each February 1 and August 1 commencing August 1, 1999. Touro College pledged as collateral: (1) a \$1,720,000 acquisition mortgage and a \$280,000 building loan mortgage on the Bay Shore Mini-Center (premises); (2) an assignment of rents and leases of the premises; and, (3) a security interest in all fixtures and certain other property located at the premises.

The outstanding balance of the serial bonds was \$800,000, on June 30, 2013. During the year ended June 30, 2014, the Agency had repaid \$140,000 of the outstanding balance. In May 2014 Touro College provided \$96,268 to the Bond Agent, as the final and in full repayment of its loan from the Agency. The Bond Agent used the funds and defeased the \$660,000 outstanding balance of the Agency's serial bonds.

A summary of long term liabilities for the year ending June 30, 2014 is presented in the following table:

### LONG-TERM LIABILITY ACTIVITY

Governmental activities:	Balance			Balance June 30, 2014	Amounts Due in	
	June 30, 2013	Additions	Reductions		Within One Year	More Than One Year
U. S. Department of Housing and Urban Development Section 108 serial bonds	\$800,000	\$ -	\$(800,000)	\$ -	\$ -	\$ -
Other liabilities:						
Other post-employment benefits	567,829	87,930		655,759	-	655,759
Compensated absences	<u>522,641</u>	<u>126,230</u>	<u>(260,277)</u>	<u>388,593</u>	<u>107,044</u>	<u>281,549</u>
Total governmental activities long-term liabilities	<u>\$1,890,470</u>	<u>\$214,160</u>	<u>\$(1,060,277)</u>	<u>\$1,044,352</u>	<u>\$107,044</u>	<u>\$937,308</u>

#### G. Pension Plan

##### *Plan description:*

The Agency participates in the New York State and Local Employees' Retirement System ("ERS"), a cost-sharing multiple-employer defined benefit retirement system. The ERS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). As set forth in the NYSRSSL, the Comptroller of the State of New York ("Comptroller") serves as sole trustee and administrative head of the ERS.

The Comptroller adopts and may amend rules and regulations for the administration and transaction of the business of the ERS and for the custody and control of their funds. The ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

##### *Funding Policy*

The Agency's employees participate in the ERS. Tier levels are dependent on date of hire and prior public

service with a participating ERS agency. No contributions are required of Tier-1 employees while Tier-4 employees are required to contribute 3% of their gross earnings toward retirement benefits until they have accumulated ten years of credited service and Tier 5 employees are required to contribute 3% for the employees' entire employment. A new Tier 6 was added on April 1, 2012 which requires various contribution percentages of gross earnings for all years of public service. These contributions are considered a reduction of taxable wages for federal income tax purposes.

Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. The Agency is required to contribute at an actuarially determined rate. The Agency's contributions made to the System were equal to 100% of the amount required. The required contributions for the current year and the two preceding years were:

**RETIREMENT CONTRIBUTIONS**

		<u>ERS</u>	
June 30,	2014		116,374
June 30,	2013		126,227
June 30,	2012		97,531

The contributions made to the System were equal to 100% of the contributions required for each year.

The Agency is the sponsor of the Town of Islip Community Development Agency Pension Accident and Health Plan, which is a defined contribution money purchase plan. The trustee of the assets is John Hancock. The plan covers substantially all employees who meet the eligibility requirements and were employed by the Agency prior to June 1, 1987. The employer's annual contribution is approximately 20.0% of each of the participants' compensation. The contribution payable for the plan year ended June 30, 2014 amounted to \$39,755 which is included in accounts payable.

**H. Interfund Receivables, Payables And Transfers**

Inter-fund receivables/payables at June 30, 2014 are as follows:

	Receivables	Payables
<b>Major Funds:</b>		
Special Revenue:		
Community Development		
Block Grant	\$ 10*	
<b>Non-major Funds:</b>		
Special Revenue:		
Emergency Shelter-		\$ 10

\* Not expected to be paid/repaid within one year.

The purpose of the above receivables/payables is to advance/receive money to maintain bank balances and to make payments of expenditures from Special Revenue Funds before federal money is received.

From time to time, the CDA transfers cash collected from program income generated from projects under the HOME fund that was assisted by the CDBG fund to the CDBG fund in accordance with its annual Board-approved non-appropriations budget

**I. Related Party Transactions**

*Islip Housing Development Fund Company, Inc.*

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

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

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

IHDFC utilizes the employees of the Agency to perform bookkeeping, project management

maintenance and grounds keeping. IHDFC reimburses the cost of these expenses to the Agency.

The Agency had a note receivable from IHDFC which was due and collected on July 1, 2013. The note had an outstanding balance of \$13,991 (\$14,128 face amount net of unamortized discount of \$137 - effective rate approximately 7.7789%).

#### *Town of Islip:*

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

#### **Concentration of Credit Risk Arising from Economic Dependency**

Federal grants during the year provided approximately 73.4 percent of all Agency revenue during the fiscal year ended June 30, 2014. This funding primarily relates to three ongoing programs funded by the U.S. Department of Housing and Urban Development including the Community Development Block Grant (CDBG) Entitlement grant (32.4%), Home Investment Partnership Grant (HOME) Program (17.3%), and Housing Opportunities for Persons with HIV/AIDS (HOPWA) program (34.9%). These programs have a significant impact on the Agency's financial condition.

Annual funding for these programs is subject to change by Congressional legislation and the federal budget concerns; it has been declining in recent years. Federal funding for new or expanded housing and redevelopment programs is not foreseeable; funding for existing federal programs will likely remain near current levels. The Agency has substantial assets including loans and mortgages receivables and land

and buildings held for sale that may mitigate the impact of any reduction of federal funding.

#### **J. Contingencies**

The Agency holds mortgages on a number of parcels where the owners have declared bankruptcy, and also holds second mortgages on a number of parcels where the holders of superior mortgages have commenced foreclosure proceedings naming the Agency as a party defendant. The funds from these loans do not affect the Agency's ability to operate effectively on a day-to-day basis.

The Agency is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Agency's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

The Agency's may have potential liability for reimbursement if any prior or existing sub-recipient of HOPWA grant incorrectly did not comply with the part 85/part 200 real property disposition regulations beyond ten years holding period. The Agency's standard contract with subrecipients in prior years, inter alia with stipulating HOPWA grant compliance requirements, had incorporated part 85/part 200 real property disposition regulations provision for only a ten year period.

In the opinion of the Agency's legal counsel The Agency does not have any substantial likelihood of incurring financial liability either to HUD or to any current or former sub-recipients based on the form and contents of the standard HOPWA transactions in use by the Agency up to this date, or any actions or omissions of the Agency based upon its interpretations of these documents or underlying HUD regulations.

The Agency participates in various other federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

#### K. Prepaid Items

As of June 30, 2014, the Agency had a balance of \$90,668 in prepaid items, made up entirely of prepaid insurance policies.

#### L. Other Post-Employment Benefits (OPEB)

##### *Plan Description*

Postemployment health insurance coverage is afforded under single employer defined benefit plan. The Agency's retiree medical/drug and dental insurance plans are fully insured with Empire, Plan.

Employees are eligible for these benefits, once they have reached the age of 55 and have 10 years of qualified employment. The Agency has agreed to pay the full cost of coverage for such retirees and to pay the cost of coverage for the retiree's spouse during the retiree's lifetime.

The Agency reimburses the retirees for payment of the Medicare part B premium, during their lifetime. Upon a retiree's passing the spouse becomes responsible for their own full cost of coverage. For the year ended June 30, 2014, the health premiums of Agency were as follows:

<b>EMPIRE PREMIUMS</b>	
	<u>Annual</u>
Pre-65 retiree	\$ 9216
Post-65 retiree	11,023
Medicare eligible single	4,792
Medicare eligible dependent	6,599

As of January 1, 2013, the effective date of the annual OPEB valuation, the number and average age of participants were as follows:

<u>Participants</u>	<u>Number</u>	<u>Average Age</u>
Active employees	13	53.7
Retired employees	<u>9</u>	<u>75.2</u>
Total	<u>22</u>	

##### *Annual OPEB Cost and Net OPEB Obligation.*

In 2013, the annual OPEB cost and net OPEB obligation, as determined by an actuarial valuation performed on January 1, 2013 were as follows:

<b>ANNUAL OPEB COST AND NET OPEB OBLIGATION FISCAL YEAR ENDING JUNE 30, 2014</b>	
1. Normal Cost	\$54,866
2. Amortization of Unfunded Actuarial Accrued Liability	172,455
3. Interest	<u>6,827</u>
4. Annual Required Contribution - ARC (1+2+3)	234,148
5. Interest on net OPEB Obligation	21,541
6. Adjustment to ARC	<u>(25,160)</u>
7. Annual OPEB Cost (Expense)	230,529
8. Less Contribution made (see detail OPEB OBLIGATION – to left)	<u>(142,599)</u>
9. Increase in net OPEB Obligation	87,930
10. Net OPEB Obligation - beginning of year	<u>567,829</u>
11. Net OPEB Obligation - end of year	<u>\$655,759</u>

The Agency's annual OPEB Cost, employer contributions, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 is as follows:

<b>OPEB OBLIGATION</b>				
Fiscal Year	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$270,554	\$142,599	52.7%	\$655,759
6/30/2013	259,810	70,000	26.9%	567,829
6/30/2012	270,554	120,944	44.7%	314,414

*Funded Status and Funding Progress.*

As of January 1, 2013, the most recent actuarial valuation the funded status of the Plan was as follows:

<b>FUNDING STATUS AND FUNDING PROGRESS</b>						
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)
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
1/1/2013	\$-0-	\$3,838,976	\$3,838,976	0%	\$768,642	499.4%

*Actuarial Methods and Assumptions*

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future.

The schedule of funding progress presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing

over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point.

The actuarial calculations of the OPEB plan reflect a long-term perspective. Consistent with this perspective, actuarial valuations, use actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The \$234,148 ARC for the plan's initial year was determined as part of the January 1, 2013 actuarial valuation using the following methods and assumptions:

<b>Actuarial Assumptions and methodology</b>	
	Level
Amortization method	percentage of payroll, open Entry Age
Actuarial cost method	Normal
Remaining amortization period	25.65
Projected salary increases	2.50%
Interest rate	4.00%
2013 Medical trend rates - pre65	9%
2013 Medical trend rates - post 65	7%
ultimate Medical/RX trend rate	5%
Year ultimate trend rates reached	2017/2015

**M. Risk Management**

The Agency is 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 for which the Agency carries commercial insurance. The Agency has not reduced insurance coverage in the past year and settled claims have not exceeded commercial insurance coverage in any of the three preceding years.

**N. Subsequent Event**

The U.S, Department of Housing and Urban Development Fiscal year 2016 Budget provide the following allocation for the Agency:

CDBG	\$	1,571,544
HOME		427,728
ESG		140,714
HOPWA		<u>1,731,477</u>
	\$	<u>3,871,463</u>



## ***COMBINING STATEMENTS***

### **Non-Major Funds**

ESG Fund. This fund accounts for the administration of the Emergency Solutions (shelter) Grant funded by the US Department of Housing and Urban development.

LIGH Fund. This fund accounts for the receipts and disbursements of funds related to the Long Island Green Homes program.

### **Community Development Block Grant (CDBG) Fund**

The Community Development Block Grant Fund accounts for the receipt and disbursement of funds related to Community Development Block Grants from the U.S. Department of Housing and Urban Development. This fund is composed of four sub-funds.

Community Development Block Grant (CDBG) Fund – It accounts for the receipt and disbursement of funds related to Community Development Block Grants from and related program income.

Rental Unit Management (RUM) Fund - This fund accounts for the receipts and disbursements of funds related to eight residential units owned by the Agency in the Collegewood area of the Town of Islip.

Applied Technology Center (ATC) Fund - This fund accounts for the receipts and disbursements of funds related to the Applied Technology Center (business incubator) in Bay Shore.

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

911 Lowell Avenue – This fund accounts for the receipt and disbursement of funds related to the property located at 911 Lowell Avenue acquired by CDBG funds.



**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY  
COMBINING BALANCE SHEET NON-MAJOR FUNDS  
JUNE 30, 2014**

	Emergency Solutions Grant	Long Island Green Homes	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Cash	\$ 160	\$ -	\$ 160
Due from other governments	21,179	-	21,179
Prepaid expenses	<u>385</u>	<u>-</u>	<u>385</u>
<b>Total assets</b>	<b>\$ <u>21,724</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>21,724</u></b>
<b>Liabilities</b>			
Accounts payable	\$ 20,897	\$ -	\$ 20,897
Pension payable	283	-	283
Due to CDBG Fund	<u>10</u>	<u>-</u>	<u>10</u>
<b>Total liabilities</b>	<b>21,190</b>	<b>-</b>	<b>21,190</b>
<b>Fund Balance</b>			
Nonspendable	385	-	385
Restricted to ESG program	<u>149</u>	<u>-</u>	<u>149</u>
<b>Total fund balance</b>	<b><u>534</u></b>	<b><u>-</u></b>	<b><u>534</u></b>
<b>Total liabilities and fund balance</b>	<b>\$ <u>21,724</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>21,724</u></b>

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

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES (DEFICIT)  
 NON-MAJOR FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2014**

	Emergency Solutions Grant (ESG)	Long Island Green Homes (LIGH)	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues			
Federal Aid	\$ 89,951	\$ 74,683	\$ 164,634
total revenue	89,951	74,683	164,634
Expenditures			
Current			
Residential rehabilitation and development	79,248	74,683	153,931
General	<u>10,319</u>	<u>-</u>	<u>10,319</u>
Total expenditures	<u>89,567</u>	<u>74,683</u>	<u>164,250</u>
Excess of revenues over expenditures	384	-	384
Fund balances, beginning of year	<u>150</u>	<u>-</u>	<u>150</u>
	-	-	-
Fund balances, end of year	<u><u>\$ 534</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 534</u></u>

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

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY**  
**COMBINING BALANCE SHEET COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS**  
**JUNE 30, 2014**

	<u>East Islip Congregate</u>	<u>Community Development Block Grant</u>	<u>Rental Unit Management</u>	<u>Applied Technology Center</u>	<u>911 Lowell Avenue</u>	<u>Total CDBG</u>
<b><u>ASSETS</u></b>						
Cash	\$356,598	\$ 1,299,637	\$306,127	\$515,566	\$38,985	\$ 2,516,913
Escrow for clients taxes, insurance, security	14,525	3,721	7,072	8,878	2,149	36,345
Due from other governments		270,110	-			270,110
Acts Rec /Mort Rec	-	10,430,337	-	-	-	10,430,337
Property held for sale	-	6,114,524	-	-	-	6,114,524
Prepaid expenses	7,205	74,115	3,822	1,967	2,403	89,512
Due from emergency shelter	-	10	-	-	-	10
<b>Total assets</b>	<b>\$378,328</b>	<b>\$18,192,454</b>	<b>\$317,021</b>	<b>\$526,411</b>	<b>\$43,537</b>	<b>\$19,457,751</b>
<b><u>LIABILITIES</u></b>						
Accounts payable	\$10,168	\$242,393	\$50,028	\$8,190	\$2,999	\$313,778
Pension plan payable	2,412	27,719	1,280	1,238	951	33,600
Due to HDFC	-	-	1,693	-	-	1,693
Liability for client escrow deposits	14,525	3,721	7,072	8,878	2,149	36,345
<b>Total liabilities</b>	<b>27,105</b>	<b>273,833</b>	<b>60,073</b>	<b>18,306</b>	<b>6,099</b>	<b>385,416</b>
<b><u>DEFERRED INFLOWS</u></b>						
Unavailable resources – long-term receivables		10,430,337				10,430,337
<b><u>FUND BALANCES</u></b>						
Nonspendable	7,205	74,115	3,822	1,967	2,403	89,512
Restricted-to Community Development	344,018	7,414,169	253,126	506,138	35,035	8,552,486
<b>Total fund balances</b>	<b>351,223</b>	<b>7,488,284</b>	<b>256,948</b>	<b>508,105</b>	<b>37,438</b>	<b>8,641,998</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$378,328</b>	<b>\$18,192,454</b>	<b>\$317,021</b>	<b>\$526,411</b>	<b>\$43,537</b>	<b>\$19,457,751</b>

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

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>East Islip Congregate</u>	<u>Community Development Block Grant</u>	<u>Rental Unit Management</u>	<u>Applied Technology Center</u>	<u>911 Lowell Avenue</u>	<u>Total Community Development Block Grant</u>
<b>REVENUES</b>						
Federal Aid	\$ --	\$2,320,172	\$ --	\$ --	\$ --	\$2,320,172
Departmental income:	--	--	--	--	--	--
Other program income	664	445,084	--	--	--	445,748
Subrecipient program income	--	--	--	--	--	--
Repayment of loans and mortgages	--	1,481,901	--	--	--	1,481,901
Use of money and property:						
Rental income	182,780	46,766	78,443	107,464	48,262	463,715
Interest income	235	1,887	266	--	--	2,388
Total Revenues	<u>183,679</u>	<u>4,295,810</u>	<u>78,709</u>	<u>107,464</u>	<u>48,262</u>	<u>4,713,924</u>
						-
<b>EXPENDITURES</b>						
Current						
Residential rehabilitation & development	169,147	2,293,735	282,967	104,536	69,531	2,919,916
Public facilities improvement	--	30,600	--	--	--	30,600
Public service programs	--	208,536	--	--	--	208,536
Commercial rehabilitation & development	--	27,112	--	--	--	27,112
Code enforcement	--	75,000	--	--	--	75,000
General	--	439,268	--	--	--	439,268
Capital	--	--	--	--	--	--
Debt service:						
Principal	--	800,000	--	--	--	800,000
Interest and other charges	--	53,186	--	--	--	53,186
Total Expenditures	<u>169,147</u>	<u>3,927,437</u>	<u>282,967</u>	<u>104,536</u>	<u>69,531</u>	<u>4,553,618</u>
Excess (deficiency) of revenues over expenditures	14,532	368,373	(204,258)	2,928	(21,269)	160,306
Fund balances, beginning of year	336,691	7,119,911	461,206	505,177	58,707	8,481,692
Fund balances, end of year	<u>\$351,223</u>	<u>\$7,488,284</u>	<u>\$256,948</u>	<u>\$508,105</u>	<u>\$37,438</u>	<u>\$8,641,998</u>

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



***SINGLE AUDIT SECTION***



**THE TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2014**

Agency and Program Grant Title	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Housing and Urban Development</b>		
Community Development Block Grant	14.218	\$ 5,843,545
HOME Investment Partnership Program	14.239	1,625,494
Housing Opportunities for Persons with AIDS	14.241	2,471,586
Emergency Solutions Grant	14.231	89,567
<b>U.S. Department of Energy</b>		
Passed through the New York State Energy Research and Development Authority		
Passed through Community Development Corporation of Long Island		
Energy Efficiency and Conservation Block Grant	81.128	<u>74,683</u>
		<u>\$ 10,104,875</u>

See accompanying notes to schedule of expenditures of federal awards.

**THE TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY  
NOTES TO THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES**

- A. General** - The accompanying schedule includes all federal financial assistance programs administered by The Town of Islip Community Development Agency (the Agency) for the fiscal year ended June 30, 2014.
- B. Basis of Presentation** - The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Agency under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets of the Agency.
- C. Basis of Accounting** - The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting for governmental funds which is described in the Note 1 of the notes to the Agency’s financial statements.
- D. Subrecipient Expenditures** – During the year ended June 30, 2014, the grants received by the Agency and redistributed (expended) to a sub-recipients was as follows:

**Expenditures – Amounts Passed through to Subrecipients**

Community Development Block Grant (CDBG) - CFDA 14.219	
Youth Enrichment Services	\$ 40,400
Family Service League	30,868
Mercy Haven, Inc.	11,550
Adelante of Suffolk County, Inc.	19,250
Great South Bay YMCA	13,654
LIGALY	10,000
Suffolk Network on Adolescent Pregnancy, Inc.	5,000
Long Island Housing Services	10,000
Central Islip Civic Council	11,550
Total Community Development Block Grant expenditures	<u>152,272</u>
Housing Opportunities for Persons with AIDS (HOPWA)- CFDA 14.241	
United Way of Long Island	<u>2,408,407</u>
 Total passed through to subrecipients	 <u>\$ 2,560,679</u>

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

Board of Directors  
Town of Islip Community Development Agency  
15 Shore Lane,  
Bay Shore, NY 11706

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 Town of Islip Community Development Agency, New York, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Islip Community Development Agency, New York'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 Town of Islip Community Development Agency, New York'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 Town of Islip Community Development Agency, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Islip Community Development Agency, Bay Shore, New York'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 Town of Islip Community Development Agency, New York'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.

TABRIZCHI & Co., CPA, P.C.

Garden City, NY  
March 30, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM,  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors  
Town of Islip Community Development Agency  
15 Shore Lane,  
Bay Shore, NY 11706

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Islip Community Development Agency's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the Town of Islip Community Development Agency's major federal programs for the year ended June 30, 2014. The Town of Islip Community Development Agency'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 the Town of Islip Community Development Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Islip Community Development Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Basis for Qualified Opinion on Housing Opportunities for Persons with AIDS***

As described in the accompanying schedule of findings and questioned costs, the Town of Islip Community Development Agency did not comply with requirements regarding CFDA 14.241 on Housing Opportunities for Persons with AIDS as described in finding numbers 2014-1 for disposition of real properties. Compliance with such requirements is necessary, in our opinion, for the Town of Islip Community Development Agency to comply with the requirements applicable to that program.

### ***Qualified Opinion on Housing Opportunities for Persons with AIDS***

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, Town of Islip Community Development Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Housing Opportunities for Persons with AIDS for the year ended June 30, 2014.

### ***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the Town of Islip Community Development Agency 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

### ***Other Matters***

The Town of Islip Community Development Agency's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Islip Community Development Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the Town of Islip Community Development Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Islip Community Development Agency'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 the Town of Islip Community Development Agency's internal control over compliance.

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

material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be significant deficiencies.

The Town of Islip Community Development Agency's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Islip Community Development Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

A handwritten signature in blue ink that reads "TABRIZCHI & Co., CPA, P.C." The signature is written in a cursive, slightly slanted style.

March 30, 2015  
Garden City, NY

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

**Summary of Auditors' Results**

**A. Financial Statements**

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
▪ Material weaknesses identified?	___ Yes	___ <b>x</b> No
▪ Significant deficiencies identified that are not considered to be material weaknesses?	___ Yes	___ <b>x</b> No
▪ Noncompliance that is material to the financial statements noted?	___ Yes	___ <b>x</b> No

**B. Federal Awards**

Internal control over major programs:		
▪ Material weaknesses identified?	___ Yes	___ <b>x</b> No
▪ Significant deficiencies identified that are not considered to be material weaknesses?	___ <b>x</b> Yes	___ No

The type of auditors' report issued on compliance for major programs:	Qualified	
▪ Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	___ <b>x</b> Yes	___ No

Identification of Major Programs:

Name of Federal Program	CFDA number
Community Development Block Grant	CFDA No.: 14.218
HOME Investment Partnership Program	CFDA No.: 14.239
Housing Opportunities for Persons with AIDS	CFDA No.: 14.241
▪ 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 ___ <b>x</b> 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**  
Findings 2014-01

**B. Compliance Findings**  
Findings 2014-01

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

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Finding- Major Federal Award Program**

<b>Finding No.:</b>	<b>2014-001</b>
Finding Type	Noncompliance/ Significant Deficiency
Federal Agency:	U.S. Department of Housing and Urban Development
CFDA Programs:	14.241. Housing Opportunities for Persons with AIDS
Compliance Requirement	Subrecipient Monitoring

Criteria

Under 24 CFR Part 85.31, the title to real property acquired under a grant or sub-grant will vest upon acquisition in the grantee or sub-grantee respectively. Except as otherwise provided by Federal statutes, real property will be used for the originally authorized purposes as long as needed for that purposes, and the grantee or sub-grantee shall not dispose of or encumber its title or other interests. When real property is no longer needed for the originally authorized purpose, the grantee or sub-grantee will request disposition instructions from the awarding agency. The instructions will provide for one of the following alternatives: retain the title after compensating the awarding agency, sell the property and compensate the awarding agency, transfer title to the awarding agency or to a third-party designated/approved by the awarding agency.

Condition

Until 2013, the Agency's standard contract with subrecipients of Housing Opportunities for Persons with AIDS (HOPWA) grant included a provision which limited the application of real property disposition regulations to ten years.

Cause

The provisions of 24 CFR part 85.31 regarding subrecipient disposition of real properties acquired under HOPWA grants were not specifically considered in contracting with subrecipients.

Effect

The Agency may have potential liability for any real property disposal, by a prior or existing HOPWA grant subrecipient, subsequent to the ten years holding period, which does not meet the requirements of the part 85/part 200 regulations.

Action Plan

The Agency has changed its standard HOPWA subrecipient agreements and incorporated the provisions of 24 CFR Part 85.31. The Agency has informed all subrecipients who received HOPA grant regarding required compliance with the 24 CFR part 85.31 real property disposition regulations.

**TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

**FINDINGS - FINANCIAL STATEMENT AUDIT: June 30, 2013**

None noted

**FINDINGS - FEDERAL AWARD PROGRAM AUDITS:**

None noted