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, 2015

Prepared by:
Salvatore Matera
Director
Department of Finance

Bay Shore, New York

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, 2015

TABLE OF CONTENTS

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, 2015, 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, 2015, 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The combining financial statements and the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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 25, 2016, 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.

Tabriztchi & Co., CPA,P.C.

Astoria, NY
March 25, 2016

FINANCIAL SECTION
TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
(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, 2015.

This discussion and analysis includes comparative data for the fiscal years ended June 30, 2015 and 2014.

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

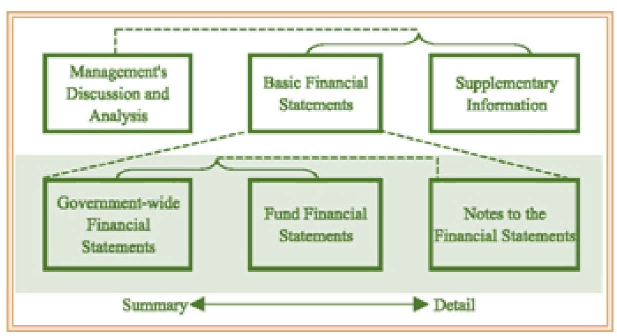
Financial Highlights

- The assets of the Agency exceeded its liabilities at the close of the most recent fiscal year by $33,248,808 (net position). Of this amount, $1,306,048 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The Agency's financial condition remained strong, as a result of operations in the fiscal year ended June 30, 2015. The Agency's net position decreased by $134,142 (0.4%) from $33,382,950, on June 30, 2014 to $33,248,808, on June 30, 2015. The decrease in restricted net position primarily related to the excess of general and public service expenses over corresponding revenues.
- The decrease of $28,360 in net position invested in capital assets represents the excess of the depreciation charges and the cost of disposed capital assets over $108,123 additional investment in Capital assets, during the year ended June 30, 2015. 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 $12,439,490, a decrease of $1,794,499 (12.6%) in comparison with the prior year. Approximately 5.5% of this amount $786,823 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, the $786,823 unassigned component of the General Fund balance was approximately 76.6 times the total General Fund expenditures.

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 13 and 14.

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.

During the year ended June 30, 2015, the Agency maintained seven 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 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 Emergency Solutions Program Fund, a non-major fund is presented in a separate column in the balance sheet and statement of revenues, expenditures and changes in fund balances.

The fund financial statements are presented on pages 15 and 17 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 37 and 38.

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 the Community Development Block Grant as supplementary Information (pages 39 to 46).

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 $33,248,808, at the close of the most recent fiscal year.

Summary of Net Position June 30, 2015 and 2014 Governmental Activities	2015	2014
Assets		
Current and other assets	$33,475,880	$33,367,083
Capital assets	2,023,936	2,052,296
Total assets	$35,499,816	$35,419,379
Liabilities		
Current liabilities*	$1,181,171	$1,099,121
Long term liabilities	1,069,837	937,308
Total liabilities	2,251,008	2,036,429
Net position		
Invested in capital assets, net of related debt	2,023,936	2,052,296
Restricted for community development projects	29,918,224	30,015,279
Unrestricted net position	1,306,648	1,315,375
Total net position	$33,248,808	$33,382,950

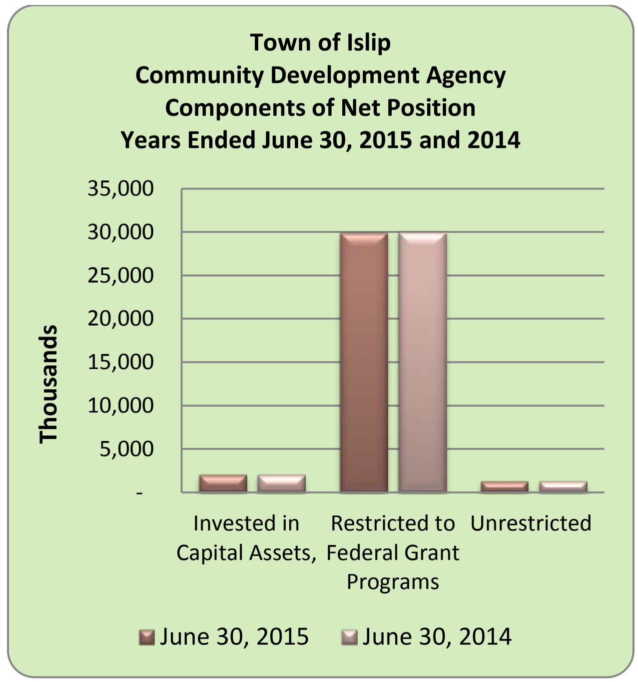
* Includes current portion of long-term liabilities.

By far, the largest portion of the Agency's net position $29,918,224 (90.0%) reflects its restricted net position, 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 $2,023,936 (6.1%) 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.

The remaining fund balance of $1,306,048 (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 decreased by $134,142 during the current fiscal year. This decrease is comprised of the following changes within the three categories of CDA net position:

- Net investment in capital assets decreased by $28,360 (1.4%) primarily due to depreciation changes.
- Restricted net position decreased by $97,055 (0.3%).
- Unrestricted net position decreased by $8,727 (0.7%).

Changes in Net Position

The program revenues of $6,347,986, which accounted for over 99.9% of the total revenues decreased by $3,299,421 (34.2%), from $9,647,407 reported at June 30, 2014. The decrease was the result of $2,743,613 (38.7%) and $555,171 (21.7%) reduction in federal grants and charges for services, respectively.

Changes in Net Position
For the Years Ended June 30, 2015 and 2014
Governmental Activities

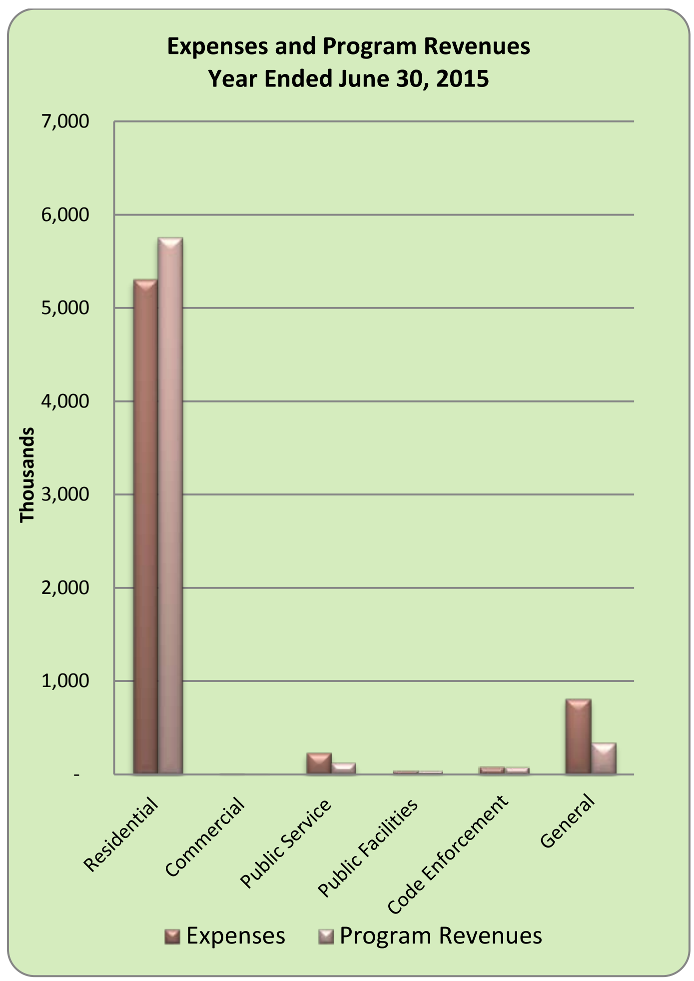
	2015	2014
Revenues:		
Charges for services	$ 2,002,482	$ 2,557,653
Operating grants & contributions	4,341,801	7,085,414
General revenues:		
Investment earnings	3,703	4,340
Total revenues	6,347,986	9,647,407
Expenses:		
Residential rehabilitation	5,305,449	3,941,599
Commercial rehabilitation	13,296	27,329
Public service	233,821	210,205
Public facilities improvement	40,432	30,844
Code enforcement	77,129	75,600
General and administration	812,001	876,090
Total expenses	6,482,128	5,161,667
Increase in net position	(134,142)	4,485,740
Net position, July 1	33,382,950	28,897,210
Net position, June 30	$33,248,808	$33,382,950

The grant revenues of the Agency are essentially expenditure driven. During the year ended June 30, 2015, The total grant revenues decreased by $2,743,613 (38.7%), as compared to the previous year. The HOME grant revenues decreased by $452,015 (36.9%), HOPWA grants by $489,611 (19.8%) and NSP3 grant by $904,844 (100.0%). The CDBG grant revenues decreased by $831,750 (35.8%), during the same period.

The rental income increased by $91,929 (15.1%), from $610,731 in previous year to $702,660 in the current year.

Of the total expenses of $6,482,128, the residential rehabilitation expenses accounted for $5,305,449 (81.8%), general and administrative expenses for $812,621 (12.5%) and public service expenses for $233,821 (3.6%).

The expenses of the Agency increased by $1,320,461 (25.6%) during the current year primarily due to $1,363,845 (34.6%) additional residential rehabilitation expenses as offset by $64,089 (7.3%) decrease in general and administrative expenses.



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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, 2015, the Agency's governmental funds reported combined ending fund balances of $12,439,490, a decrease of $1,794,499 (12.6%) from the prior year. The decrease was due to the total revenues of $7,024,860 being less than total expenditures of $8,819,962.

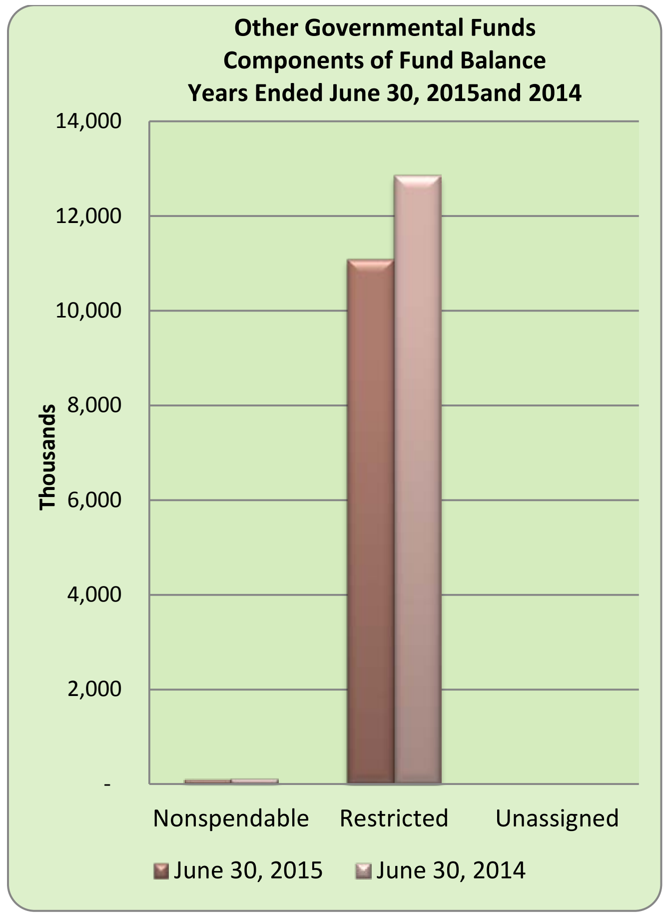
The nonspendable fund balance, which relates to the prepaid items of all funds and properties held for sale of the General Fund was $558,692, on June 30. 2015, as compared to $567,312, on June 30, 2014. The fund balance restricted to specific federal grant programs decreased by $1,769,100 (13.8%) from $12,862,805, on June 30, 2014, to $11,093,705, on June 30, 2015.

The unassigned fund balance, which is available for discretionary expenditures of the Agency, decreased by $17,049 (2.1%) from $803,872, on June 30, 2014 to $786,823, on June 30, 2015.

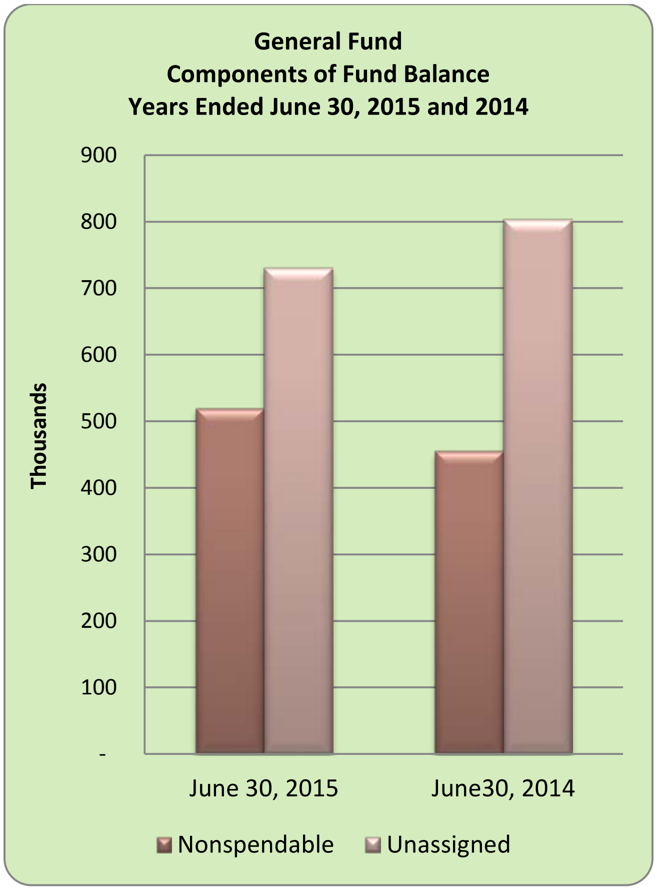
Of the total expenditures of $8,819,359, the residential rehabilitation expenditures accounted for $7,675,035 (85.8%), general and administrative expenses for $789,588 (9.0%) and public service expenses for $227,368 (2.6%).

The expenditures of the Agency decreased by $1,301,361 (12.9%) during the current year primarily due to $853,186 principal and interest payment of the long-term debt and $490,112 (6.1%) more residential rehabilitation expenditures in the previous year.

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, 2015, the General Fund had a fund balance of $1,250,743, which represents 10.1 percent of all governmental fund balances. Of this amount, $463,920 relates to prepaid items and properties held for sale and are nonspendable and $786,823 is unassigned. During the fiscal year ended June 30, 2015, the fund balance of the General Fund decreased by $8,727 (0.7%). This decrease is comprised of expenditures of $10,277 in excess of revenues of $1,550.



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 $7,518,626, 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 $3,326,129 and the total expenditures was $4,449,501. The result was $1,123,375 (13.0%) decrease 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 $2,223,861, 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 decreased by $415,393 (15.3%), from previous year. The decrease was the result of total grant revenues and program income of $1,448,493 being less than the total expenditure of $1,863,886.

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 $1,935, 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 $1,982,701 and expenditures were $1,983,309, resulting in $608 decrease in the fund balance, during the year ended June 30, 2015.

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 $317,042, on June 30, 2015. The fund balance had decreased by $259,765 (45.0%) from $576,807, on June 30, 2014, due to excess of expenditures of $413,079 over program income revenues of $153,314.

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 $1,126,813 and $1,113,383, on June 30, 2015 and 2014, respectively. The increase of $13,430 (1.2%) was due to the program income revenues of $13,430.

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, 2015, the ESG Fund had nonspendable and restricted balances of $321 and $149, respectively. The revenues and expenses of ESG Fund were $99,243 and $99,307, respectively, during the current year.

Capital Assets

As of June 30, 2015, the Agency's investment in capital assets amounts to $2,023,938 (net of accumulated depreciation). This investment in capital assets includes: land buildings, equipment, vehicles, furniture and equipment.

During the current year, the capital assets added and disposed were $108,123 and $18,673, respectively. Also, the capital assets decreased by $117,809, due to depreciation charges.

Additional information on the Agency's Capital Assets can be found in Note 3 of the Notes to the Financial Statements on page 33. Capital assets as of June 30, 2015 and 2014 were as follows:

Capital Assets
June 30,

	2015	2014
Land	$625,505	$524,983
Buildings	3,684,439	3,701,838
Machinery and equipment	128,387	128,387
Total capital assets	4,438,331	4,355,208
Less accumulated depreciation	(2,414,393)	(2,302,912)
Total capital assets, net	$2,023,938	$2,052,296

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 primarily due to the repayment of the $140,000 matured instalments and defeasance of the $660,000 outstanding balance of Section 108 Serial Bond.

The long- term liabilities as of June 30, 2015 and 2014 are presented in the following table:

Long-term Liabilities
June 30,

	2015	**2014**
Other post-employment benefits (OPEB	$770,970	$655,759
Liability for compensated absences	405,911	388,593
Total long term debt	$1,176,881	$1,044,352

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

Economic Factors and New Year's Budget

The employment conditions have improved in the Town of Islip. The unemployment rate in Town of Islip declined from 5.2%, in June 2014 to 4.7% in June 2015. 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, 2015.

Town of Islip, Suffolk County and Nassau County
Comparative Data on Labor Force, Employment and Unemployment Rates
June 30, 2015

	Labor Force	Employed	Unemployment Rate (%)
Town of Islip	178,600	170,200	4.7
Suffolk County	775,000	739,200	4.6
Nassau County	694,300	664,300	4.3

The inflation rate was relatively low due to the decline in oil prices. Over the year, the Prices in the New York-Northern New Jersey-Long Island area, as measured by the Consumer Price Index for All Urban Consumers (CPI-U) was up 0.1 percent. Since February, the 12-month percent change has remained within a range of -0.1 to 0.1 percent. The index for all items less food and energy increased 1.4 percent.

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 which has continued to serve as a source of program income to the Agency to address housing 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, 2016

	Grant	Program Income	Total
CDBG	$1,571,544	$800,000	$2,371,544
HOME	427,728	100,000	527,728
HOPWA	1,731,477	-	1,731,477
ESG	140,714	-	140,714
Total	$3,871,463	$900,000	$4,771,463

Approximately 63% of the grant funds is allocated to housing rehabilitation for low and moderate income homeowners, provision of affordable housing and Homeless housing. On the community development side, approximately ten percent (9%) 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 to three percent of the budget is allocated to each of the storefront renewals, code enforcement and public facilities improvement programs. these projects focus on the Town's downtown areas.

Contacting the Agency's Financial Management

This financial report is designed to provide the Agency's citizens, taxpayers, 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.

BASIC FINANCIAL STATEMENTS: GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS		
Current assets:		
Cash and cash equivalents	$	3,494,810
Prepaid items		95,042
Due from other Government		762,939
Loans and mortgages due within one year		691,623
Escrow cash		77,389
Land and building held for sale		9,083,437
Loans and mortgages receivable- more than one year		19,270,640
Capital assets:		
Non-depreciable		625,505
Depreciable, net		1,398,431
Total assets	$	35,499,816
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	$	959,950
Pension plan payable		36,788
Client escrow funds payable		77,389
Compensated absences due in one year		107,044
OPEB payable		770,970
Compensated absences - due in more than one year		298,867
Total liabilities		2,251,008
Net position		
Invested in capital assets		2,023,936
Restricted to federal programs		29,918,224
Unrestricted net assets		1,306,648
Total net assets	$	33,248,808

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, 2015

		Program Revenues			Net Revenue (Expense) and Changes in Net position
	Expenses	Charges for Services	Operating Grants and Contributions	Total	Governmental Activities
Home and community functions:					
Residential rehabilitation	$(5,305,449)	$ 2,002,482	$3,760,636	$ 5,763,118	$457,669
Commercial rehabilitation	(13,296)	-	6,075	6,075	(7,221)
Public service programs	(233,821)	-	124,052	124,052	(109,769)
Public facilities improvement	(40,432)	-	39,316	39,316	(1,116)
Code enforcement	(77,129)	-	75,000	75,000	(2,129)
General and administration	(812,001)	-	336,722	336,722	(475,279)
Total home and community functions	$(6,482,128)	$2,002,482	$4,341,801	$6,344,283	(137,845)
		General Revenues: Investment earnings			3,703
		Total General Revenues			3,703
		Change in net position			(134,142)
		Net position, beginning of the year			33,382,950
		Net position, end of year			$33,248,808

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
GOVERMENTAL FUNDS
JUNE 30, 2015

	General Fund	Home Investment Partnership Program	HOPWA Program	Community Development Block Grant	NSP	NSP3	Nonmajor Emergency Shelter Program	Total Govern-mental Funds
ASSETS								
Cash	$824,038	$189,471	$102	$2,349,744	$124,835	$6,460	$160	$3,494,810
Escrow accounts-client taxes, insurance, security	12,880	13,789	-	44,462	1,702	4,556	-	77,389
Due from other governments	-	9,601	574,143	158,619	-	-	20,576	762,939
Accounts and mortgages receivable	55,905	6,397,566	-	10,961,510	2,547,282	-	-	19,962,263
Properties held for sale	463,920	2,104,139	-	5,160,344	225,411	1,129,623	-	9,083,437
Prepaid Expenses	-	17,806	1,833	74,887	195	-	321	95,042
Due from other funds	99,360	-	-	61,613	-	-	-	160,973
Total assets	$1,456,103	$8,732,372	$576,078	$18,811,179	$2,899,425	$1,140,639	$21,057	$33,636,853
LIABILITIES								
Accounts payable	$ 136,372	$95,085	$472,479	$193,276	$33,399	$ 9,270	$20,069	$959,950
Pension plan payable	203	2,071	2,304	31,702	-	-	508	36,788
Due to other funds	-	-	99,360	61,603	-	-	10	160,973
Liability for client escrow deposits	12,880	13,789	-	44,462	1,702	4,556	-	77,389
Total liabilities	149,455	110,945	574,143	331,043	35,101	13,826	20,587	1,235,100
DEFERRED INFLOWS								
Unavailable resources – long-term receivables	55,905	6,397,566	-	10,961,510	2,547,282	-	-	19,962,263
FUND BALANCES								
No spendable	463,920	17,806	1,833	74,887	195	-	321	558,962
Restricted-to Community Development	-	2,206,055	102	7,443,739	316,847	1,126,813	149	11,093,705
Unassigned	786,823	-	-	-	-	-	-	786,823
Total fund balances	1,250,743	2,223,861	1,935	7,518,626	317,042	1,126,813	470	12,439,490
Total liabilities, deferred inflows and fund balances	$1,456,103	$8,732,372	$576,078	$18,811,179	$2,899,425	$1,140,639	$21,057	$33,636,853

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, 2015

Total Governmental Fund Balances	$	12,439,490
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.		2,023,936
Loans receivable which are not available to pay the current-period expenditures and therefore, are deferred inflows in the funds.		19,962,263
The net post-employment benefit liability is recorded in the government-wide Financial statements nut not in the fund financial statements		(770,970)
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		(405,911)
Net position of Governmental Activities	$	33,248,808

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
GOVERMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Home Investment Partnership Program	HOPWA Program	Community Development Block Grant	NSP	NSP3	Nonmajor Emergency Shelter Grant	Total Govern-mental Funds
Revenues								
Federal Aid	$ -	$ 771,435	$1,982,701	$1,488,422	$ -	$ -	$ 99,243	$4,341,801
Departmental income:								
Other program income	520	191,748	-	614,747	57,600	13,430	-	878,045
Sub-recipient program income:								
Repayment of loans and mortgages	-	298,407	-	704,530	95,714	-	-	1,098,651
Use of money and property:								
Rental income	-	186,903	-	515,757	-	-	-	702,660
Interest income	1,030	-	-	2,673	-	-	-	3,703
Total Revenues	1,550	1,448,493	1,982,701	3,326,129	153,314	13,430	99,243	7,024,860
Expenditures								
Current								
Residential rehabilitation & development	-	1,715,323	1,830,784	3,521,142	411,664	-	88,122	7,567,035
Public facilities improvement	-	-	-	39,316	-	-	-	39,316
Public service programs	-	-	-	227,368	-	-	-	227,368
Commercial rehabilitation & development	-	-	-	12,929	-	-	-	12,929
Code enforcement	-	-	-	75,000	-	-	-	75,000
General	10,277	148,563	152,525	465,623	1,415	-	11,185	789,588
Capital	-	-	-	108,123	-	-	-	108,123
Total Expenditures	10,277	1,863,886	1,983,309	4,449,501	413,079	-	99,307	8,819,359
Excess (deficiency) of revenues over (under) expenditures	(8,727)	(415,393)	(608)	(1,123,372)	(259,765)	13,430	(64)	(1,794,499)
Fund balances, beginning of year	1,259,470	2,639,254	2,543	8,641,998	576,807	1,113,383	534	14,233,989
Fund balances, end of year	$1,250,743	$2,223,861	$ 1,935	$7,518,626	$ 317,042	$1,126,813	$470	$12,439,490

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, 2015

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	$	(1,794,499)
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		(117,810)
Capital outlays		108,123
Disposals- Cost net of accumulated depreciation		(18,673)
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.		
Loans made during the year		2,479,447
Loans collected during the year		(658,201)
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:		
Accrued compensated absences		(17,318)
Net other post-employment (OPEB) liability		(115,211)
Change in net position of governmental activities	$	(134,142)

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.

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:

<u>General Fund</u>. 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 Fund:

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.

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, 2015.

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, 2015.

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, 2015.

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:

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

<u>Restricted net position</u> - 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.

<u>Unrestricted net position</u> – 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

Amounted 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.

I. New Accounting Pronouncements

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. This liability is recognized 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 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 requires 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 statement 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.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application.* This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. It also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this statement are effective for the Agency's fiscal year ending June 30, 2016.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. This statement establishes requirements for those pensions and pension plans that are not administrated through a trust meeting specified criteria and thus are not covered by Statements Nos. 67 and 68. The requirements of this statement are effective for the Agency's fiscal year ending June 30, 2016.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement addresses reporting by OPEB plans that administer benefits on behalf of governments. The requirements of this statement are effective for the Agency's fiscal year ending June 30, 2017.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The requirements of this statement are effective for the Agency's fiscal year ending June 30, 2018.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* This statement reduces the hierarchy of generally accepted accounting principles to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specific with a source of authoritative GAAP. The requirements of this statement are effective for the Agency's fiscal year ending June 30, 2016.

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 $2,023,937 are as follows:

Land	$625,505
Buildings	3,684,439
Less: Accumulated depreciation-buildings	(2,294,496)
Machinery, equipment, and vehicles	128,387
Less: Accumulated depreciation-machinery, equipment, and vehicles	(119,897)
Net adjustment to increase fund balance -total governmental funds to arrive at net position - governmental activities	$2,023,938

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	$(770,970)
Other postemployment benefit obligations	(405,911)
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	$(1,176,881)

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. The net position changed as follows:

Capital outlay	$108,123
Disposal of capital assets, cost less accumulated depreciation	(18,673)
Depreciation expense	(117,810)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	$ (28,360)

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 $1,821,246 difference are as follows:

Loans collected during the year	$(658,201)
Loans made during the year	2,479,447
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	$1,821,246

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 are as follows:

Compensated absences	$(17,318)
Net other postemployment benefits obligation	(115,211)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	$(132,529)

NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

As of June 30, 2015, the reconciliation of the carrying amount of cash was as follows:

CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	$	3,508,599
Restricted cash – escrow funds		63,600
Total cash and equivalents	$	3,572,199
Petty cash	$	200
Demand deposits		596,672
Money market accounts		2,975,327
Total cash and equivalents	$	3,572,199

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 – Deferred Inflows

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, 2015:

CHANGES IN LOANS RECEIVABLE

Fund	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
General	$55,905	$ -	$ -	$55,905
CDBG	10,430,337	1,016,947	(485,774)	10,961,510
HOME	5,438,664	1,097,500	(138,598)	6,397,566
NSP	2,216,111	365,000	(33,829)	2,547,282
Total	$18,141,017	$2,479,447	$(658,201)	$19,962,263

Allowances for uncollectible loans are not material.

The deferred inflows include the above loan receivables of $19,906,358 and $55,905 of the General Fund.

C. Land and Buildings Held for Sale

During the year ended June 30, 2015, the changes in land and buildings held for sale were as follows:

CHANGES IN LAND AND BUILDINGS HELD FOR SALE

Fund	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
CDBG	$6,114,524	$1,097,252	$(2,051,432)	$5,160,34 4
HOME	2,611,289	851,377	(1,358,527)	2,104,139
NSP	566,817	68,388	(409,794)	225,411
NSP3	1,113,383	16,240	-	1,129,623
General	454,662	9,258	-	463,920
Total	$10,860,675	$2,042,515	$(3,819,753)	$9,083,437

D. 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.

The following is a summary of the cost of properties held for lease at June 30, 2015:

COST OF PROPERTIES

Residential properties	$	2,546,371
Less: accumulated Depreciation		(1,745,346)
Residential properties, net		801,025
Commercial properties		1,763,573
Less: accumulated Depreciation		(549,151)
Commercial Properties, net		1,214,422
Total cost of properties, net	$	2,015,447

E. Prepaid Items

As of June 30, 2015, the Agency had a balance of $95,042 in prepaid items, made up entirely of prepaid insurance policies.

F. Capital Assets

Under the current accounting policy of the Agency, the capital assets include land, land improvements, buildings, building improvements, furniture and equipment. For the year ended June 31, 2015 capital assets activities were as follows:

CAPITAL ASSETS ACTIVITIES

	Balance June 30, 2014	Addition	Disposition	Balance June 30, 2015
Governmental activities				
Non-depreciable assets: Land	$ 524,983	$ 108,123	$ (7,601)	$625,505
Depreciable assets:				
Buildings and improvements	3,701,838	-	(17,399)	3,684,439
Machinery and equipment	128,387	-	-	128,387
Total capital assets	4,355,208	108,123	(25,000)	4,438,331
Less accumulated depreciation:	(2,302,912)	(117,810)	6,327	(2,414,395)
Total governmental capital assets, net	$2,052,296	$ (9,687)	$(18,673)	$2,023,936

Depreciation expense of $117,810 for the year ended June 30, 2015 was charged to different functions as follows:

DEPRECIATION EXPENSE

Residential rehabilitation	$102,526
Commercial rehabilitation & development	173
Public facilities improvement	525
Public service	3,037
Code enforcement	1,002
General	10,547
Total depreciation	$117,810

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 required contributions for the current year and the two preceding years were:

RETIREMENT CONTRIBUTIONS	
	Amount
June 30, 2015	$90,347
June 30, 2014	116,374
June 30, 2013	126,227

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, 2015 amounted to $36,788.

H. Interfund Receivables and Payables

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.

Inter-fund receivables/payables at June 30, 2015 are as follows:

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

	Receivables	Payables
General Fund	$99,360	
HOPWA		$99,360
Community Development Block Grant	61,613	
911 Lowell Avenues		61,603
Emergency Shelter-		*10

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.

J. Concentration of Credit Risk Arising from Economic Dependency

Federal grants during the year provided approximately 68.4% percent of all Agency revenue during the fiscal year ended June 30, 2015. 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 (23.4%), Home Investment Partnership Grant (HOME) Program (12.2%), and Housing Opportunities for Persons with HIV/AIDS (HOPWA) program (31.2%). 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.

K. 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 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.

L. Long-Term Liabilities

Governmental activities

A summary of long term liability activities for the year ended June 30, 2015 is presented in the following page:

LONG-TERM LIABILITY ACTIVITY

Governmental activities:	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due in Within One Year	More Than One Year
Other post-employment benefits	655,759	115,211		770,970	-	770,970
Compensated absences	388,593	124,362	(107,044)	405,911	107,044	298,867
Total governmental activities long-term liabilities	$1,044,352	$239,573	$(107,044)	$1,176,881	$107,044	$1,069,837

M. Other Post-Employment Benefits (OPEB)

Plan Description

Plan Type: 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.

Eligibility: Employees hired prior to April 27, 2010, are eligible for these benefits, once they have reached the age of 55 and have 5 years of qualified employment. Employees hired after April 27, 2010, are eligible for these benefits, once they have reached the age of 55 and have 10 years of qualified employment.

Benefit/ Cost Sharing: 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.

Number and Average Age: As of January 1, 2013, the effective date of the annual OPEB valuation, and July 1, 2015, the number and average age of participants were as follows:

Participants	July 1, 2015 Number	July 1, 2015 Average Age	January 1, 2013 Number	January 1, 2013 Average Age
Active employees	11	55.5	11	53.7
Retired employees	8	75.0	9	75.2
Total	19		20	

EMPIRE PREMIUMS

	Annual
Pre-65 Retiree	$ 9,660.60
Pre-65 Dependent	12,045.72
Medicare Eligible Single	4,822.08
Medicare Eligible Dependent	12,046.08
Medicare Eligible Dependent (Medicare)	7,207
Administration charge per enrollee	25.37

Income	
Less than $30,000	5%
$30,000 to $50,000	10%
$50,000 or more	15%

Employee Contribution: Employees hired on or after April 27, 2010, contribute towards their health insurance. Employee contribution is based on the annual salary as follows:

Annual medical Premium: For the year ended June 30, 2015, the health premiums of Agency were as follows:

Medicare Part B: The Agency reimburses the retirees for payment of the Medicare part B premium (currently

FUNDING STATUS AND FUNDING PROGRESS						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payrol
	(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%
1/1/2011	-0-	3,627,284	3,627,284	0%	866,153	418.8%
1/1/2009	-0-	2,803,559	2,803,559	0%	705,170	397.6%

$1,258.80) and his/her spouse, during retiree lifetime. Upon a retiree's passing the spouse becomes responsible for their own full cost of coverage.

Annual OPEB Cost and Net OPEB Obligation.

The Agency's annual OPEB Cost, employer contributions, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

OPEB OBLIGATION

1. Normal Cost	$56,237
2. Amortization of Unfunded Actuarial Accrued Liability	181,701
3. Interest	7,028
4.Annual Required Contribution - ARC (1+2+3)	244,966
5. Interest on net OPEB Obligation	26,230
6. Adjustment to ARC	(31,499)
7. Annual OPEB Cost (Expense)	239,697
8. Less Contribution made (see detail OPEB OBLIGATION – to left)	(124,487)
9. Increase in net OPEB Obligation	115,210
10. Net OPEB Obligation - beginning of year	655,759
11. Net OPEB Obligation - end of year	$770,970

Fiscal Year Ending	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	OPEB Cost % of Pay
6/30/2015	$239,697	51.9%	$770,970	$787,858	30.0%
6/30/2013	230,529	49.1%	655,759	768,642	30.4%

For the year ended June 30, 2015, the OPEB cost and net OPEB obligation, as determined by an actuarial valuation performed on January 1, 2013, were as follows:

Funded Status and Funding Progress.

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

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:

It is assumed that 100% of the current active employees covered under the active plan on the day before retirement would enroll in the retiree medical plan upon retirement.

The mortality rates are from the Combined RP 2000 Combined male and Female Fully Generational Mortality Table.

The percentage of eligible employees who choose to retire are assumed to vary with their age. It is assumed that 30% of the employees will retire at attaining the age 55. After the age of 55, the percentage choosing to retire will range between 15% to 25%, and will rise to 100% at the age of 64.

For terminations rates Croker-Sarason T-8 withdrawal table is used.

Additional information regarding actuarial assumptions

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

and methodology are presented in the following table:

N. 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.

O. Subsequent Event

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

CDBG	$	1,583,832
HOME		455,493
ESG		141,470
HOPWA		1,749,869
	$	3,930,664

COMBINING STATEMENTS

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 COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS
JUNE 30, 2015

	East Islip Congregate	Community Development Block Grant	Rental Unit Management	Applied Technology Center	911 Lowell Avenue	Total CDBG
ASSETS						
Cash	$408,985	$ 1,413,569	$32,598	$485,047	$9,545	$ 2,349,744
Escrow for client taxes, insurance, security	15,506	11,711	7,256	8,889	1,100	44,462
Due from other governments		158,619	-			158,619
Acts Rec /Mort Rec	-	10,961,510	-	-	-	10,961,510
Property held for sale	-	5,160,344	-	-	-	5,160,344
Prepaid expenses	6,858	60,035	2,800	1,991	3,203	74,887
Due from emergency shelter	-	61,613	-	-	-	61,613
Total assets	$431,349	$17,827,401	$42,654	$495,927	$13,848	$18,811,179
LIABILITIES						
Accounts payable	$8,259	$134,943	$32,766	$11,232	$6,076	$193,276
Pension plan payable	2,103	23,675	2,445	1,077	2,402	31,702
Due to HDFC	-	-	-	-	61,603	61,603
Liability for client escrow deposits	15,506	11,711	7,256	8,889	1,100	44,462
Total liabilities	25,868	170,329	42,467	21,198	71,181	331,043
DEFERRED INFLOWS						
Unavailable resources – long-term receivables		10,961,510				10,961,510
FUND BALANCES						
Nonspendable	6,858	60,035	2,800	1,991	3,203	74,887
Restricted-to Community Development	398,623	6,635,527	(2,613)	472,738	(60,536)	7,443739
Total fund balances	405,481	6,695,562	187	474,729	(57,333)	7,518,626
Total liabilities, deferred inflows and fund balances	$431,349	$17,827,401	$42,654	$495,927	$13,848	$18,811,179

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, 2015

	East Islip Congregate	Community Development Block Grant	Rental Unit Management	Applied Technology Center	911 Lowell Avenue	Total Community Development Block Grant
REVENUES						
Federal Aid	$ -	$1,488,422	$ -	$ -	$ -	$1,488,422
Departmental income:						
Other program income	1,651	613,096	-	-	-	614,747
Subrecipients program income						
Repayment of loans and mortgages	-	704,530	-	-	-	704,530
Use of money and property:						
Rental income	197,296	82,822	71,072	112,736	51,831	515,757
Interest income	271	1,994	99	304	5	2,673
Total Revenues	199,218	2,890,864	71,171	113,040	51,836	3,326,129
EXPENDITURES						
Current						
Residential rehabilitation & development	144,960	2,756,330	326,829	146,416	146,607	3,521,142
Public facilities improvement	-	39,316	-	-	-	39,316
Public service programs	-	227,368	-	-	-	227,368
Commercial rehabilitation & development	-	12,929	-	-	-	12,929
Code enforcement	-	75,000	-	-	-	75,000
General	-	464,520	1,103	-	-	465,623
Capital outlay	-	108,123	-	-	-	108,123
Total Expenditures	144,960	3,683,586	327,932	146,416	146,607	4,449,501
Excess (deficiency) of revenues over expenditures	54,258	(792,722)	(256,761)	(33,376)	(94,771)	(1,123,372)
Fund balances, beginning of year	351,223	7,488,284	256,948	508,105	37,438	8,641,998
Fund balances, end of year	$405,481	$6,695,562	$187	$474,729	$ (57,333)	$7,518,626

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, 2015

U.S. Department of Housing and Urban Development

	CFDA Number	Federal Expenditures
Community Development Block Grant	14.218	$ 4,449,501
HOME Investment Partnership Program	14.239	1,863,886
Housing Opportunities for Persons with AIDS	14.241	1,983,309
Emergency Shelter Grant	14.231	99,307
		$8,396,003

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, 2015

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, 2015.

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, 2015. 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. Subrecipients' Expenditures – During the year ended June 30, 2015, the grants received by the Agency and redistributed (expended) to a Subrecipients was as follows:

Expenditures – Amounts Passed through to Subrecipients

Community Development Block Grant (CDBG) - CFDA 14.219		
Youth Enrichment Services	$	50,000
Family Service League		27,712
Mercy Haven, Inc.		11,550
Adelante of Suffolk County, Inc.		19,250
Great South Bay YMCA		20,000
LIGALY		10,000
Suffolk Network on Adolescent Pregnancy, Inc.		5,000
Suburban Housing Development and Research, Inc.		22,000
Central Islip Civic Council		20,000
Long Island Housing Services, Inc.		185,512
Housing Opportunities for Persons with AIDS (HOPWA)- CFDA 14.241		
United Way of Long Island		1,918,022
Total passed through to subrecipients	$	2,103,534

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, 2015, 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 25, 2016.

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.

Tabriztchi & Co., CPA, P.C.

Astoria, NY
March 25, 2016

TABRIZTCHI & CO., CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Members of AICPA

Registered with PCAOB

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, 2015. 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.

Opinion on Each 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 major federal programs for the year ended June 30, 2015.

4102 31st Avenue Ste. A Astoria, NY 11103 ♦ Tel: 516-746-4200 ♦ Fax: 516-746-7900
Email:Info@Tabrizcpa.com ♦ www.Tabrizcpa.com

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.

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.

TABRIZTCHI & Co., CPA, P.C.

March 25, 2016
Astoria, NY

TOWN OF ISLIP COMMUNITY DEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Part I. Summary of Auditors' Results

A. Financial Statements

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

B. Federal Awards

Internal control over major programs:	
▪ Material weaknesses identified?	No
▪ Significant deficiencies identified that are not considered to be material weaknesses?	No
The type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	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:	No

Part II Findings Related to the Financial Statements

None noted

Part III Findings and Questioned Costs for Federal Awards

None noted

Iv. Status of Prior-Year Financial Statement Findings and Questioned Costs

Finding No.:	**2014-001**
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.

Current Status

Corrected.