

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



FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

Prepared by:
Anne L. LaMorte
Financial Manager

THE CITY OF GLEN COVE
INDUSTRIAL DEVELOPMENT AGENCY
GLEN COVE, NEW YORK

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011



Prepared by:
ANNE L. LAMORTE
FINANCIAL MANAGER

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FINANCIAL STATEMENTS

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Honorable Mayor Ralph Suozzi,
Board of Directors and Members
Glen Cove Industrial Development Agency
Glen Cove, New York

We have audited the accompanying net positions of the Glen Cove Industrial Development Agency (IDA), a component unit of the City of Glen Cove, New York, as of December 31, 2011 and 2010 and the related statements of revenues, expenses and changes in net position and cash flows for the two years then ended. These financial statements are the responsibility of the IDA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the Industrial Development Agency, a component unit of the City of Glen Cove, as of December 31, 2011 and 2010 and the related statements of revenues, expenses and changes in net position and cash flows for the two years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2012 on our consideration of the IDA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 to 8 is not a required part of the financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the Glen Cove Industrial Development Agency's financial statements. the supplementary information required for statutory filing, pages 32-35, under General Municipal Law 859, including: Straight-lease agreements; all bonds and notes issued, outstanding or retired during the fiscal year; the name of each project financed with proceeds with of each issue; the name and address of each owner of each project; the amount of tax exemptions authorized for each project; the purpose for which each bond or note was issued; date of issue, interest rate, maturity date, federal tax status, payments in lieu of taxes and an estimate of the number full time equivalent jobs created and retained by each project are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information for statutory filing under General Municipal Law 859 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

TABRIZCHI & Co., CPA, P.C.

Garden City, NY
March 30, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Glen Cove Industrial Development 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 years ended December 31, 2011 and 2010. Please read this information in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

Management believes that the Agency's financial condition is strong. The following are financial highlights:

- Total assets as of December 31, 2011 were \$20,587,752 and exceeded liabilities in the amount of \$1,486,699 (i.e. net position.) Net position is comprised of Invested in Capital Assets of \$2,754, restricted net position of \$1,391,719 and \$92,226 of unrestricted. Total assets increased by \$1,701,186 (9%) from December 31, 2010 to 2011.
- The reduction in net position of \$164,801 (10%) was primarily due to an excess of operating expenses over revenues. The utilization of the net position that will be received from sale of the Waterfront land is restricted for the contingent reimbursement of the amounts owed to the CDA, the City and the Environmental Protection Agency (EPA) for its remediation expenditures.
- Operating revenues increased by \$75,852 (436%) from \$17,400 in 2010 to \$93,252 in 2011. The increase is primarily due to the administrative fee from Men on The Move-Glen Cove Storage, LLC of \$60,148 and grant revenues received of \$20,614. The balance of \$12,490 was from other admin fees, reimbursements and bid deposits. The \$17,400 revenue in 2010 was for administrative and legal fees.

- Total operating expenses increased by \$13,976 (6%) from \$244,248 in 2010 to \$258,224 in 2011. The increase was primarily due to an increase in contractual expenses for the Waterfront Project.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis ("MD&A") serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the Agency's financial condition and performance. Summary financial statements data, key financial and operational indicators used in the Agency's strategic plan, operating plan, bond covenants and other management tools were used for this analysis.

The financial statements report information about the Agency. The Agency applied full accrual accounting methods as used by similar business activities in the private sector. The statements offer short and long-term financial information.

The financial statements include statement of net position; statement of revenues, expenses and changes in net position; statements of cash flows and notes to the financial statements. The statements of net position include all of the Agency's assets and liabilities and provides information about the nature and amount of investments.

The statement of revenues, expenses and changes in net position presents the results of the business activities over the course of the year and information as to how the net position changed during the 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 the related cash flows. This statement also provides information about whether the Agency has successfully recovered its costs through its user fees and other charges, profitability and credit worthiness.

The statements of cash flows presents changes in cash and cash equivalents resulting from operating, financing and investing activities. The statements present cash receipts and cash disbursements information, without consideration of the earning events, when an obligation arises or depreciation of capital assets occurs.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Agency's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. Supplementary information has been included as required for statutory filing under General Municipal Law 859.

FINANCIAL ANALYSIS OF THE AGENCY

One of the most important objectives of the financial analysis is to determine if the Agency as a whole is better or worse off as a result of the year's activities. The net positions and the statement of revenues, expenses and changes in net position provide useful information in this regard. The statements report the net position of the Agency and changes in these net position. The amount of net position, the difference between total assets and deferred outflows and liabilities and deferred inflows, is a significant measure of the financial health or financial position. Over time, increases or decreases in the Agency's net position are indicators of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population growth,

zoning and new or changed government legislation should be considered in evaluating the financial conditions of the Agency.

The following comparative condensed financial statements and other selected information serve as the financial data and indicators for management's monitoring and planning.

NET POSITION

A summary of the Agency's net positions at December 31, 2011 and 2010 are presented in the following table and Charts 1 and 2 on the following page.

| | NET POSITION December 31, | | |
|-----------------------------------|------------------------------|---------------------|---------------------|
| | 2011 | 2010 | 2009 |
| Assets | | | |
| Current and other assets | \$20,584,998 | \$18,883,050 | \$17,804,745 |
| Capital assets, net | 2,754 | 3,516 | 4,277 |
| Total assets | 20,587,752 | 18,886,566 | 17,809,022 |
| Liabilities | | | |
| Long-term liabilities | 19,088,540 | 17,179,621 | 15,890,955 |
| Other liabilities | 12,513 | 55,445 | 39,884 |
| Total liabilities | 19,101,053 | 17,235,066 | 15,930,876 |
| Net position | | | |
| Net investment in capital assets, | 2,754 | 3,516 | 4,277 |
| Restricted net assets | 1,391,719 | 1,562,869 | 1,769,438 |
| Unrestricted net position | 92,226 | 85,115 | 104,431 |
| Total net position | \$ 1,486,699 | \$ 1,651,500 | \$ 1,878,146 |

The amount of current and other assets increased by \$1,701,948 (9%) from \$18,883,050, in 2010 to \$20,584,998, in 2011. The amount of increase in prior year was \$1,078,305 (6%), from \$17,804,745 in 2009 to \$18,883,050 in 2010. The development costs of the Waterfront land held for sale were the reasons for variations of the current and other assets.

The land held for sale is the major asset owned by the Agency and accounts for \$20,474,953 (99%) of the total assets. The costs incurred in redevelopment of the land

increased in 2011 by \$1,694,837 (9%), as compared to \$1,094,769 (6%) in 2010. The reasons for the increase were additional development costs environmental remediation and legal fees in 2011. The acquisition of the Doxey property was another principal factor increasing the development costs during 2010.

Total liabilities increased by \$1,865,987 (11%) and \$1,304,190 (8%), as of December 31, 2011 and 2010, respectively. The IDA's current liabilities decreased by \$42,932, (-77%) from \$55,445, on December 31, 2010, to \$12,513, on December 31, 2011. The decrease reflected the payment of amounts owed for the Waterfront development. The non-current liabilities increased by \$1,908,919 (11%), from \$17,179,621, on December 31, 2010, to \$19,088,440, on December 31, 2011. The increase represents the additional funds owed to the City and the CDA for additional waterfront interest, environmental, planning expenses, and legal fees. The amount of increase in liabilities to the City and CDA for the reimbursable Waterfront Development expenses were \$1,257,858 in 2011 and \$1,072,391 in 2010.

In 2007, the IDA entered into an agreement with the City regarding the interest on the amounts it owed to the City. The agreement provided for a payment of annual interest on the net amount "due to the City" at the end of each year. All amounts due to the CDA and the City have to be reimbursed upon the sale of the Waterfront Property. For the years ended December 31, 2011 and 2010, the interest rates used to compute the annual interest costs were 0.727% and 3.86% and the amounts of accrued interest, during construction, were \$27,751 and \$134,802, respectively.

On September 9, 2008, the CDA, HUD and Nassau County, closed on a new Section 108 loan of \$1.5 million. The proceeds of the loan are being used to purchase and remediate the Doxey property included in the Waterfront Development. This agreement was further

increased on October 13, 2009 to include an additional \$850,000 for an aggregate 108 loan amount of \$7,095,000.

CHART 1

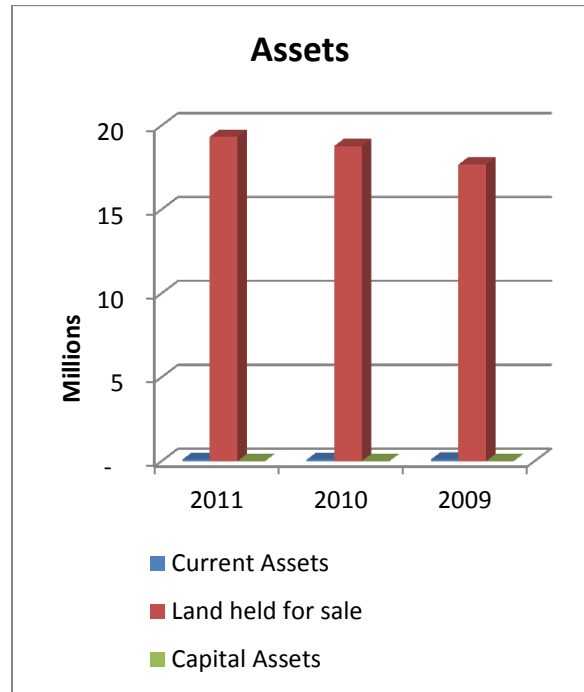
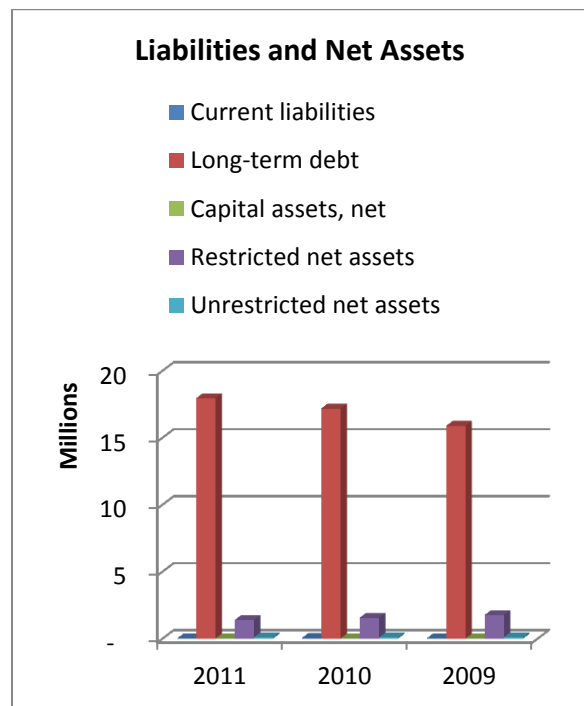


CHART 2



OPERATING RESULTS

The Agency's condensed statements of revenues, expenses and changes in net position are presented in the table below and Chart 3.

| REVENUES, EXPENSES AND CHANGES IN NET POSITION | | | |
|--|--------------------|--------------------|--------------------|
| | 2011 | 2010 | 2009 |
| Operating Revenues | | | |
| Revenues- City of Glen Cove | \$ -- | \$ -- | \$ -- |
| Fees and other income | 93,252 | 17,400 | 4,000 |
| Non-operating revenues | | | |
| Interest | 171 | 202 | 820 |
| Total revenues | 93,423 | 17,602 | 4,820 |
| Operating Expenses | | | |
| Salaries and benefits | 146,622 | 187,327 | 217,745 |
| Contractual and other | 111,602 | 56,921 | 269,763 |
| Total operating expenses | 258,224 | 244,248 | 487,508 |
| Non-operating Expenditures | -- | -- | -- |
| Total expenditures | 258,224 | 244,248 | 487,508 |
| Increase (decrease) in net position | (164,801) | (226,646) | (482,688) |
| Net position, January 1 | 1,651,500 | 1,878,146 | 2,360,834 |
| Net position, December 31 | \$1,486,699 | \$1,651,500 | \$1,878,146 |

The majority of the Agency's revenues are derived from one time administrative fees on taxable bonds funded through the Agency, and a straight lease fee. Additionally, the Agency imposes a counsel fee and a closing fee.

Operating revenues increased by \$75,852 (436%) from \$17,400 in 2010 to \$93,252 in 2011. The increase is primarily due to the administrative fee from Men on The Move-Glen Cove Storage, LLC of \$60,148 and grant revenues received of \$20,614. The balance of \$12,490 was from other admin fees, reimbursements and bid deposits. The

\$17,400 revenue in 2010 was for administrative and legal fees.

CHART 3

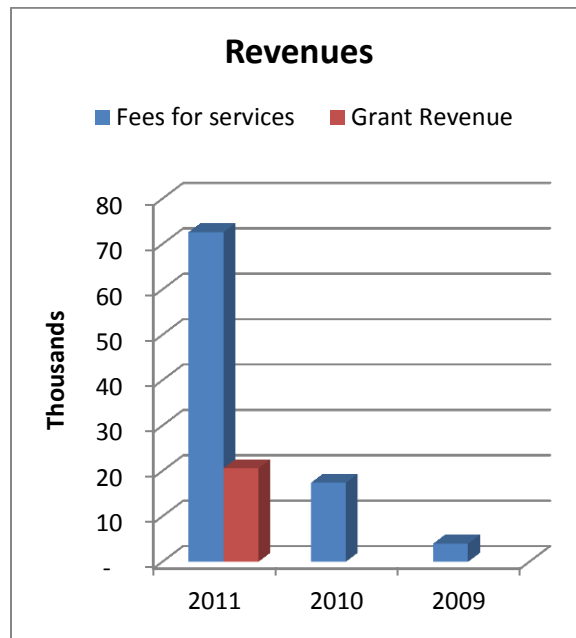
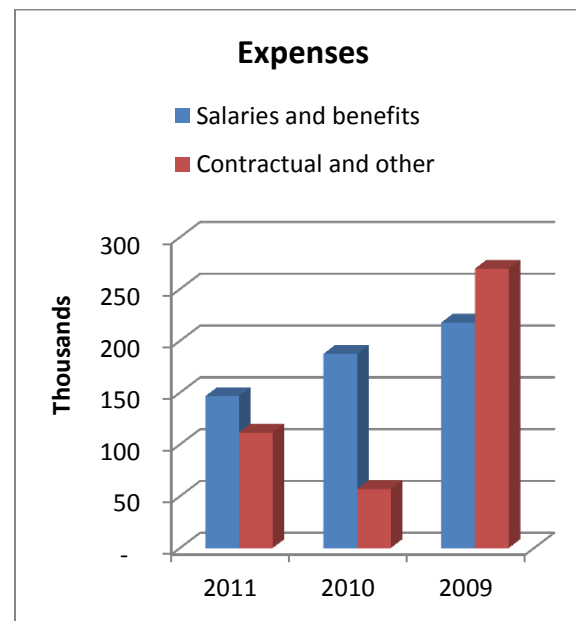


CHART 4



The increase in revenues was due to the administrative fee collected for a straight lease Agreement between the IDA and Men

on The Move-Glen Cove Storage, LLC, August 1, 2011 of \$60,148.

As a result of expenditures exceeding the revenues, net position decreased by \$164,801 (-10%) from \$1,651,500 in 2010 to \$1,486,699 in 2011 and by \$226,646 (12%) in 2010.

Debt Management

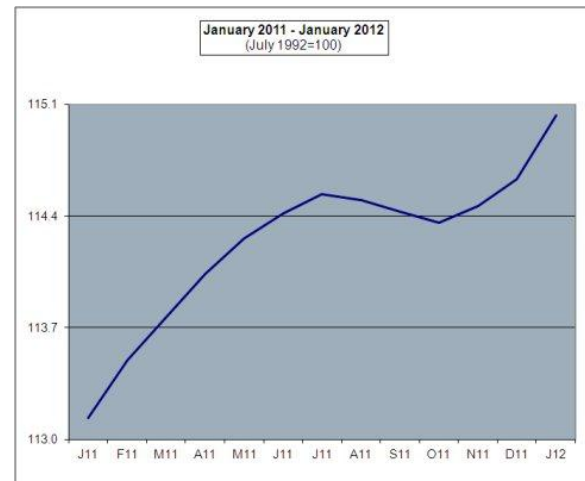
At the year end the Agency had \$14,827,833 of industrial development revenue bonds that are secured by property, which is leased to companies who had received the bond proceeds. The bonds are retired by lease payments collected from these companies.

The bonds are not obligations of the Agency and the Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts. Its primary function is to arrange financing between the borrowing companies and the bond and note holders. Trustees or banks acting as fiscal agents control funds arising from these transactions. The Agency monitors the compliance of the organizations with the provisions of the bond contracts.

At the year end the Agency owed \$14,592,152 to the CDA and \$3,845,327 to the City of Glen Cove. The CDA pays payroll expenses on behalf of the Agency Waterfront Development Project Costs and then charges the Agency. The CDA funds are obtained from Community Development Block Grant (CDBG) and Section 108 loans. Also, the City provides loans to the Agency and pays and charges the Agency for personnel and interest expenses pertaining to the waterfront.

The indebtedness to the City and CDA will be paid from the proceeds of the sale of Waterfront properties. More information on long-term debt activity can be found in Note 6, page 20-21, "Amounts due to or from the City and CDA."

In February 2012, the New York State Department of Labor's Index of Coincident Economic Indicators (ICEI) for New York State increased at an annual rate of 4.3%. This follows an annual rate of increase of 1.7% in December 2011. Over the past year, the ICEI has increased by 1.7%.



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

Since 1970, there have been seven distinct recessions in the U.S. and New York State. Recessions in New York have tended to be significantly longer than their national counterparts. This trend has become more pronounced over the past 30 years. The last four recessions in New York State (dating back to 1981) have averaged just less than 2½ years in length, while the last four national recessions have averaged just over one year in duration.

On January 2012, the unemployment rate in the City of Glen Cove was 8.6% as compared to 7.1% in the Nassau County, 8.8% in New York State and 9.2% nationally. The price increases in the Northeastern United States, as measured by the Consumer Price Index for

all urban consumers, was 2.8% over the last 12 months.

**COMPARISON OF U.S. AND
NEW YORK STATE RECESSIONS**

| <u>Dates in U. S. (Peak- Trough)</u> | <u>Length (months)</u> | <u>Dates in NYS (Peak Trough)</u> | <u>Length months</u> | <u>NYS Change in Jobs</u> | |
|--|----------------------------|---|--------------------------|------------------------------------|----------------|
| | | | | <u>Net (in 1000s)</u> | <u>Percent</u> |
| Dec.69-Nov.70 | 11 | Dec.69-Nov.71 | 23 | -310.2 | -5.3% |
| Nov.73-Mar.75 | 16 | Mar.73-Nov.75 | 30 | -393.1 | -6.7% |
| Jan.80 -Jul.80 | 6 | Feb.80-Jul.80 | 5 | -66.3 | -1.1% |
| Jul.81-Nov. '82 | 16 | Aug 81-Jan.83 | 16 | 84.1 | -1.4% |
| Jul.90-Mar.'91 | 8 | Mar.89-Nov.92 | 44 | -545.3 | -8.0% |
| Mar.01-Nov.01 | 8 | Dec.00-Jul.03 | 32 | -332.8 | -4.6% |
| Dec.07-June 09 | 18 | April 08-Dec. 09 | 19 | -332.1 | -4.5% |

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

The Agency has considered the above and other factors in developing its plan for the next year. The IDA, in cooperation with the City of Glen Cove and the Glen Cove Community Development Agency, plans to continue its efforts in redevelopment of the Waterfront Property. In addition, the IDA plans to expand its assistance to the businesses located in the City through federal tax exempt revenue bonds, local property tax abatement, sales tax exemptions for construction materials and mortgage recording tax exemptions.

Contacting the CDA's Financial Management

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

BASIC FINANCIAL STATEMENTS



GLEN COVE INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Glen Cove)
STATEMENT OF NET POSITION
DECEMBER 31, 2011 AND 2010

| | 2011 | 2010 |
|---------------------------------------|--------------|--------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 91,226 | \$ 49,690 |
| Accounts receivable | 1,000 | 35,425 |
| Total current assets | 92,226 | 85,115 |
| Noncurrent assets | | |
| Land held for resale | 20,474,953 | 18,780,116 |
| Deferred loan costs | 17,819 | 17,819 |
| Equipment, net | 2,754 | 3,516 |
| Total non-current assets | 20,495,526 | 18,801,451 |
| Total assets | 20,587,752 | 18,886,566 |
| LIABILITIES AND FUND EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | 9,876 | 52,996 |
| Deferred compensation – current | 2,637 | 2,449 |
| Total current liabilities | 12,513 | 55,445 |
| Noncurrent liabilities | | |
| Deferred compensation | 10,548 | 9,798 |
| Other post-retirement benefits | 157,679 | 105,294 |
| Due to Developer | 482,834 | 407,834 |
| Due to the City of Glen Cove | | |
| Community Development Agency | 14,592,152 | 13,029,625 |
| Due to the City of Glen Cove | 3,845,327 | 3,627,070 |
| Total non-current liabilities | 19,088,540 | 17,179,621 |
| Total liabilities | 19,101,053 | 17,235,066 |
| Net position | | |
| Net investment in capital assets | 2,754 | 3,516 |
| Restricted to repayment of the debt | 1,391,719 | 1,562,869 |
| Unrestricted net position | 92,226 | 85,115 |
| Total net position | \$ 1,486,699 | \$ 1,651,500 |

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

GLEN COVE INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Glen Cove)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

| | <u>2011</u> | <u>2010</u> |
|-----------------------------------|---------------------|---------------------|
| Operating Revenues | | |
| Fees and other income | \$ 72,638 | \$ 17,400 |
| Grant revenue | <u>20,614</u> | <u>-</u> |
| Total operating revenues | 93,252 | 17,400 |
| Operating Expenses | | |
| Salaries and benefits | 146,622 | 187,327 |
| Contractual expenses | 110,840 | 56,159 |
| Depreciation expense | <u>762</u> | <u>762</u> |
| Total operating expenditures | <u>258,224</u> | <u>244,248</u> |
| Operating income or (loss) | (164,972) | (226,848) |
| Non-operating income | | |
| Interest | <u>171</u> | <u>202</u> |
| Total non-operating income (loss) | <u>171</u> | <u>202</u> |
| Changes in net position | (164,801) | (226,646) |
| Net position, January 1 | <u>1,651,500</u> | <u>1,878,146</u> |
| Net position, December 31 | <u>\$ 1,486,699</u> | <u>\$ 1,651,500</u> |

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

GLEN COVE INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Glen Cove)
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010

| | <u>2011</u> | <u>2010</u> |
|---|------------------|------------------|
| Cash flows from operating activities: | | |
| Fees received for services and other income | \$ 127,427 | \$ 17,400 |
| Payment of salaries and benefits | (30,000) | (30,000) |
| Cash payments to suppliers of goods and services | <u>(131,062)</u> | <u>(191,220)</u> |
| Net cash used in operating activities | (33,635) | (203,820) |
| Cash flows from noncapital financing activities: | | |
| Advance from developer | 75,000 | 162,500 |
| Deferred loan costs | <u>-</u> | <u>(2,853)</u> |
| Cash provided by noncapital financing activities | 75,000 | 159,647 |
| Cash flows from investing activities: | | |
| Interest | <u>171</u> | <u>202</u> |
| Net cash provided by investing activities | <u>171</u> | <u>202</u> |
| Net change in cash and cash equivalents | 41,536 | (43,971) |
| Cash and cash equivalents, beginning of year | <u>49,690</u> | <u>93,661</u> |
| Cash and cash equivalents, end of year | <u>\$ 91,226</u> | <u>\$ 49,690</u> |

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

GLEN COVE INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Glen Cove)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

| | 2011 | 2010 |
|--|--------------|--------------|
| Reconciliation of operating loss to net cash used in operating activities: | | |
| Operating loss | \$ (164,972) | \$ (226,848) |
| <i>Adjustments to reconcile operating loss to net cash used by operating activities:</i> | | |
| Depreciation | 762 | 762 |
| Accounts receivable | 34,425 | (24,655) |
| Accounts payable and accrued expense | (43,120) | 14,878 |
| Other post-employment benefits | 52,384 | 50,989 |
| Deferred compensation | 937 | 3,432 |
| Due to component unit of City-CDA | 423,929 | 742,704 |
| Property held for sale | (556,237) | (1,094,768) |
| Due to the City of Glen Cove | 218,257 | 329,686 |
| Net cash used in operating activities | \$ (33,635) | \$ (203,820) |

SUPPLEMENTARY SCHEDULE OF NON - CASH TRANSACTIONS

None

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

NOTES TO FINANCIAL STATEMENTS
GLEN COVE INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Glen Cove)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Glen Cove Industrial Development Agency's (the "IDA, "Agency") accompanying financial statements are prepared on an accrual basis in accordance with U.S. generally accepted accounting principles, as set forth by the Governmental Accounting Standards Board (GASB). Revenues and expenses are recognized when earned and incurred, not when received or paid.

Capital assets, except land and construction in process, are depreciated over their useful lives. (See the notes to the financial statements for significant accounting policies).

A. Reporting Entity

The Agency was created by a special act of the New York State Legislature on May 17, 1974. Under the provisions of Chapter 374 of the 1974 Laws of New York State, the purpose of the Agency is to encourage economic growth in the City of Glen Cove. The Agency is exempt from federal, state and local income taxes. The Agency's principal activity and source of revenue has been the issuance of Industrial and Civic Revenue Bonds and Straight Lease Agreements. The fees received from the issuance of the bonds and straight lease agreements have been expended for legal services, the development of the Glen Cove Waterfront, and infrastructure.

All significant activities have been included in the Agency's general-purpose financial statements for the year ended December 31, 2011. The City of Glen Cove exercises oversight responsibility over the Agency and the Agency is a component unit of the City of Glen Cove. The following criteria regarding the manifestation of oversight were

considered by the Agency in its evaluation of the Agency activities:

- Financial interdependency - The Agency is responsible for its debts and is entitled to surpluses. The City of Glen Cove is not responsible for the Agency's debt or entitled to surplus. The Agency does not receive financial benefit nor does it impose financial burden on the City of Glen Cove with the exception that the IDA is covered against personal injury, workers' compensation and other risks under the City's self-insurance program.
- Appointment of Government Authority - the City of Glen Cove, the primary government, appoints all members of the organization's governing body, the Board of Directors. The governing board is exclusively responsible for all decisions.
- Appointment of management - The officers of the Agency are appointed by the Board of Directors. The activities under the purview of the management are within the scope of the reporting entity and the management is responsible to the Board of Directors.
- Ability to significantly influence operations - The City of Glen Cove can significantly influence the Agency's operations. This authority includes, but is not limited to, adoption of the program budgets, control over assets, including facilities and properties, short term borrowing, signing contracts, and developing new programs.
- Accountability for fiscal matters - The responsibility and accountability over the Agency's fund is vested in the Agency's management.

B. Basis of Accounting and Measurement Focus

The Glen Cove Industrial Development Agency uses the enterprise fund (proprietary fund) to account for its activities. The measurement focus of the proprietary fund is the flow of economic resources. With this measurement focus, all assets and liabilities associated with the operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

As a proprietary fund, the Agency uses the accrual basis of accounting, and economic resources measurement focus. Under this method, revenues are recognized when earned and expenses are recognized when incurred. The Agency's unbilled receivables are recognized as revenues at year-end.

Following the recommendation of GASB 20, the Agency has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, including amendments to the statements that are issued after that date. Also, in accordance with the Statement of the Governmental Accounting Standards Board (GASB) Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the City applies all applicable interpretations issued on or before November 30, 1989 that do not conflict with GASB pronouncements. After November 30, 1989, the City exclusively applies all applicable GASB pronouncements.

C. Cash and Cash equivalents

In 1992, the Agency adopted GASB statement 9 *Reporting Cash Flows of Proprietary and Nonexpendable Trust funds and Governmental Entities that Use Proprietary Fund Accounting*. For purposes of reporting cash flows, all liquid investments (including restricted assets) with original maturity of three months or less are considered cash equivalents.

D. Accounts Receivable

Accounts receivable balances are reflected net of allowance for doubtful accounts. The allowance for doubtful accounts is the Agency's best estimate of the probable losses in the existing accounts receivable balance. The Agency did not have any doubtful account on December 31, 2011 and 2010.

E. Capital Assets and Long-Term Liabilities

Capital Assets

As a proprietary fund, the capital assets and long-term liabilities of the Agency are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with its activities are included on the net position. As a proprietary fund, the operating statements of the Agency present increases (revenues) and decreases (expenses) in net position.

Property, plant, and equipment acquired by the Agency are stated at cost (or estimated historical cost) including interest capitalized during construction, where applicable. Contributed assets are recorded at fair market value at the date received. There are no reversionary interests by the grantor in any of the assets, the date of donation in the case of gifts. The Agency capitalizes assets whose cost exceeds \$500.

Depreciation of all exhaustible fixed assets used by the Agency is charged as an expense against its operations. Accumulated depreciation is reported on the net position. Depreciation is provided over the estimated useful life of the assets.

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

The Agency’s measurement focus on income determination and capital maintenance requires the net amount of interest cost for qualifying assets to be capitalized during the construction. The Agency has capitalized the interest expenses of the amounts owed to the City of Glen Cove for the Waterfront Development Project.

F. Net position

Restricted net position

Restricted net position represent only the amounts with externally imposed restrictions (e.g. through debt covenants or by grantors) or restrictions imposed by the law. The Agency’s restricted net position includes the net excess of the cost of land held for sale over the agencies long term debt and other liabilities of the Agency. The agreements with the Environmental Protection Agency, the City, and the CDA restrict the use of these funds (Note 7) page 20-21.

Unrestricted Net position

Unrestricted net position represents the Agency’s cash and accounts receivable.

G. Operating and Non-operating Revenues and Expenses

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

Non-operating revenues – Non-operating revenues are those revenues that do not meet the definition of operating revenues. Non-operating revenues include gifts, investment income and insurance reimbursement revenue. Grants, entitlements, or shared

revenues received for operations and/or operations or capital acquisitions or construction are reported as “non-operating” revenues. Operating expenses include depreciation on all fixed assets.

H. Compensated Absences - Accumulated Unpaid Vacation and Sick Pay

Accumulated unpaid vacation, sick pay, and other employee benefit amounts are accrued, when incurred, using accrual basis of accounting. On December 31, 2011, the Agency had a deferred compensation liability for accumulated unpaid vacation and sick pay of \$13,185. During 2011, the changes in liabilities for compensated absences were as follows:

| COMPENSATED ABSENCES | |
|---|---------------|
| Liability for compensated absences, January 1 | 12,247 |
| Additions | 7,731 |
| Reductions | (6,793) |
| Liability for compensated absences, December 31 | <u>13,185</u> |

I. Land held for Development and Resale

The Agency has acquired several parcels of land as part of its primary purpose to develop or redevelop properties. The property is being carried at the lower of cost or estimated net realizable value.

J. Debt Issuance costs

Original issuance costs on long-term indebtedness are deferred and amortized using the straight-line basis over the life of the debt to which it relates.

The debt issuance costs consist of \$17,819 legal fees expended in obtaining a Section 108 loan for the CDA. The IDA has recorded the \$2,013,746 Section 108 loan as a long-term debt from the CDA. In 2011, the CDA used \$433,552 of the Section 108 loan to pay the Waterfront Project development costs of the IDA.

I. Application of Restricted and unrestricted Resources:

The Agency's policy is to first apply an expense against restricted resources then towards unrestricted resources, when both restricted and unrestricted resources are available to pay an expense.

J. Post-Retirement Benefits

In addition to providing pension benefits, the Agency provides health insurance coverage and survivor benefits for employees and their survivors. Substantially all of the Agency's employees may become eligible for these benefits if they reach normal retirement age while working for the Agency. The Agency does not have any retired employees. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year.

During the year, the Agency paid premium for four active employees covered under the City of Glen Cove Community Development Agency; they are recorded as expenditures in the General Fund and Special Revenue Funds.

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

In the year ended December 31, 2008, the Agency implemented the Statement 45, and has reported, annual other than pension postemployment benefits (OPEB) cost and its unfunded actuarial accrued liabilities for past service costs. This will foster improved accountability and a better foundation for informed policy decisions about, for example,

the level and types of benefits provided and potential methods of financing those benefits

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

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

K. Accounting Pronouncements

In June 2011 GAB issued Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of swap counterparty or swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged.

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which establishes guidance for reporting deferred outflows of resources,

deferred inflows of resources, and net position in a statement of financial position.

The Statement specifies that the statement of net position should report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position and identifies two formats that may be used. Use of the net position format is encouraged (assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources equal net position); however, use of the net position format (assets plus deferred outflows of resources equal liabilities plus deferred inflows of resources plus net position) also is permitted. Statement 63 also specifies that the statement of net position should report the residual amount as net position rather than net position.

Under the Statement, net position should be displayed in three components similar to those currently required for net position: net investment in capital assets, restricted, and unrestricted.

With respect to the disclosure requirements in the Statement, if multiple types of deferred outflows or deferred inflows are aggregated on the face of the financial statements, then governments are required to provide details about the different types of deferrals in the note disclosures. If the amount reported for a component of net position is significantly impacted by deferrals, a government will include a note explaining the effect of the deferred amounts on the net position balances.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011, with earlier application encouraged. The Agency has adopted and implemented the provisions of this statement.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in*

Pre-November 30, 1989 FASB and AICPA Pronouncements

This Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

Financial Accounting Standards Board (FASB) Statements and Interpretations.
Accounting Principles Board Opinions.
Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented.

November 2010, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. This Statement improves financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged.

November 2010, GASB issued the Statement No. 60, *Accounting and Financial Reporting for*

Service Concession Arrangements. This Statement improves the financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties.

The provisions of this Statement are effective for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods.

June 2010, GASB issued the Statement No. 59, *Financial Instruments Omnibus*. This Statement updates existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice.

This Statement is effective for periods beginning after June 15, 2010. Earlier application is encouraged

NOTE 2. CASH AND CASH EQUIVALENTS

At December 31, 2011 and 2010, the carrying amount of the Agency’s deposits with financial institutions was \$91,226 and \$49,690, and the bank balance were \$95,877 and \$68,609, respectively.

The bank balance are covered by deposit insurance provided by the FDIC of \$250,000 for checking and money market accounts; and with securities held by the pledging

financial institution’s trust department or agent in the Agency’s name.

The Agency’s cash management and investment policy are as follows:

State statutes govern the Agency’s investment policies. In addition, the Agency has its own written investment policy that incorporates the State regulations. Agency monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The investment officer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, and obligations of New York State or its localities.

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

Custodial and credit risk. The Agency’s bank balances of deposits were either entirely insured by the Federal Deposit Insurance Corporation (FDIC) 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 to be held according to the Agency’s custodial bank agreement at 102.0%. 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. Periodically, the Agency determines that the collateral or underlying securities have an adequate market value and have been segregated.

NOTE 3. LAND HELD FOR SALE

The IDA acquired certain waterfront land for commercial development. The City and the US Environmental Protection Agency incurred substantial expenditures to decontaminate the waterfront land. The IDA has incurred liabilities for legal costs, planning and interest on loans incurred for land improvements. As of December 31, 2011, the cost of the waterfront land and improvements, net of impairment reserve of \$14,131,643, was \$20,474,953.

The amounts of interest capitalized for construction costs paid by the City at December 31, 2011 and 2010 were \$207,372 and \$339,925, respectively. An aggregate of \$1,973,333 in interest cost has been capitalized at December 31, 2011. The interest on the Waterfront Project Section 108 loan of \$32,879 and \$28,658, for the years ended December 31, 2011 and December 31, 2010, respectively, were also capitalized.

The principal source of funds for the development of the Waterfront Property has been Section 108 loans. In October 1999, the City, the CDA, the IDA and the County of Nassau (“the County”) entered into agreements for a \$6,000,000 loan, pursuant to Section 108 of Title I of the Housing and Community Development Act of 1974. The purpose of the loan was to develop the waterfront properties. The agreements included the following provisions:

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

the acquisition and improvement of the waterfront properties. The Note is secured by a mortgage on the properties being developed. Interest rate for each advance was set on the date of such advance and was equal to 0.2% above the three-month London Interbank Offered Rate (LIBOR). Interest was paid quarterly and the maturity date of the loan was August 1, 2004. This date was extended to August 1, 2010 and is currently extended to July 31, 2013. The IDA will seek a further extension if the sale of the Waterfront properties is delayed.

3. The IDA agreed to use the program income that will be obtained from the sale of properties to repay the Section 108 loan.
4. In 2001, proceeds of a loan of \$1,255,000 from Environmental Facilities Corporation were used to pay-down a portion of the \$6,000,000 Section 108 loan. The outstanding balance of the Section 108 loan was \$4,745,000, as of December 31, 2011.

Initial interest payments on the loan were made from the funds obtained from Brownfield Economic Development Initiative Grant (Grant No. B-98-BD-36-0020) in the amount of \$500,000. The CDA has been paying the interest on Section 108 loan and recording related receivables from the IDA. The interest is added to the land improvement cost and recorded as a liability due to CDA.

On September 9, 2008, the City, the CDA, the IDA and the County executed an agreement to borrow an additional \$2,350,000, 108 loans, pursuant to Section 108 of Title I of the Housing and Community Development Act of 1974. The Agency closed on \$1,500,000 on October 2, 2008 and closed on the additional \$850,000 on November 18, 2009. The purpose of the loan is to purchase, develop and remediate the Doxey Property. The

agreements included the following provisions:

1. The County and the United States Department of Housing and Urban Development (“HUD”) agreed to make the Section 108 loan to the CDA based on guarantees from the City, the CDA, and the IDA regarding the repayment of the loan and indemnification for all hazardous materials.
2. The CDA agreed to sign a \$2,350,000 note (“the Note”) payable to the County and advance the loan proceeds to the IDA for the acquisition and improvement of the Waterfront properties. The Note is secured by a mortgage on the properties being developed. Interest rate for each advance was set on the date of such advance and was equal to 0.2% above the three-month London Interbank Offered Rate (LIBOR). Interest is to be paid quarterly and the maturity date of the loan is July 31, 2013.
3. The IDA agreed to use the program income that will be obtained from the sale of properties to repay the Section 108 loan. As of December 31, 2011, the IDA has borrowed \$2,013,746 from the CDA on the Section 108 loan.

On May 25, 2006, the Agency was awarded a petition by the Supreme Court of Nassau County, to acquire the Doxey Property by Eminent Domain. Three appraisals were conducted. The Agency selected the highest appraisal of \$980,000. On September 9, 2008, the Doxey property was added to the Agency’s assets and the accounts payable of \$980,000 was subsequently paid. In 2011, the Agency commenced legal actions against the previous owner of the Doxey property for contaminating the property, subsequent to the IDA acquisition.

In addition to the Waterfront Property, the Agency owns sidewalks, driveways, parking lots, walkways, and a landscaped area located

in the Village Square, Section 31, Block 85, and Lot 35. In 1994, the value of the land was appraised at \$31,650.

NOTE 4. CAPITAL ASSETS

As of December 31, 2011 and 2010, the capital assets of the IDA were as follows:

| CAPITAL ASSETS | | |
|--------------------------------|-----------------|-----------------|
| | <u>2011</u> | <u>2010</u> |
| Equipment | \$ 7,721 | \$ 7,721 |
| Less: accumulated depreciation | (4,967) | (4,205) |
| Total capital assets | \$ <u>2,754</u> | \$ <u>3,516</u> |

NOTE 5. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

For the year ended December 31, 2011, the IDA reported \$2,426 in contractual expenses relating to the Doxey Property and \$7,450 of accrued audit fee.

NOTE 6. LOAN FROM DEVELOPER

Glen Isle Development Company, LLC (Glen Isle) loaned IDA the amount of \$33,766 to pay the Nassau County Tax liens on the waterfront properties. The IDA paid the tax lien and accepted to reimburse Glen Isle from the proceeds of the sale of waterfront properties.

During the year ended December 31, 2011, the Redeveloper advanced the Agency \$75,000 according to the terms of the amendment to the Contract for Sale of Land for Private Development dated October 13, 2009 (see Note 7). The advance was to enable the Agency to pay a portion of professional fees and other costs that were related to the project.

NOTE 7. AMOUNTS DUE TO OR FROM THE CITY AND CDA

On August 25, 2004, the City of Glen Cove, CDA and IDA entered a Tri-party Municipal

Cooperation Agreement, regarding sharing of resources and revitalization of the Waterfront properties, (Garvies point Urban Renewal Area). The Agreement that formalized the long standing understanding among the parties included the following provisions:

1. The City agreed to provide office space to CDA and IDA in return for rental payments that did not exceed the market rents.
2. IDA agreed to reimburse the City for costs incurred for revitalization of the Waterfront Property.
3. The reimbursements among the parties were to be made either periodically or at prescheduled times or upon the sale of Waterfront Property as the parties decided.

As of December 31, 2011 and 2010, the following amounts were due to the City of Glen Cove and the Community Development Agency:

| AMOUNTS DUE TO THE CITY AND CDA | | |
|--|---------------------|---------------------|
| | <u>2011</u> | <u>2010</u> |
| Due to the CDA for the Waterfront development expenditures financed by: | | |
| First Section 108 loan | \$ 4,745,000 | \$4,745,000 |
| EFC Loan | 1,255,000 | 1,225,000 |
| Second Section 108 Loan | 2,013,746 | 1,692,770 |
| CDA's CDBG and other grants | <u>6,578,406</u> | <u>5,366,855</u> |
| Total due to the CDA | 14,592,152 | 13,029,625 |
| Due to the City for the Waterfront development expenditures financed by: | | |
| City's Environmental Facilities Corporation loan | <u>3,845,327</u> | <u>3,627,070</u> |
| Total due to the CDA and City | <u>\$17,298,879</u> | <u>\$16,656,695</u> |

The amounts due to the City and the CDA are payable upon the sale of the Waterfront Property.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Settlement Agreement

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

In 2000, USEPA responded favorably to the City's settlement proposal. The City settled its liability for \$5.2 million. Pursuant to the settlement agreement, the City obtained a \$3,000,000 loan from the Environmental Facilities Corporation (a New York State Agency) to pay part of its liability to USEPA.

Agreement Regarding Sales Proceeds

On March 30, 1999, the Glen Cove Industrial Development Agency and the United States Environmental protection Agency- Region 2 entered a prospective purchase agreement regarding LI Tungsten Superfund and Captain's Cove sites. The Agency acquired these sites for commercial waterfront development. The EPA indemnified the Agency against existing contaminants.

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

1. To expend in excess of \$9 million for economic revitalization of the sites and surrounding area.
2. In exchange for the US covenant not to sue, to pay the EPA \$100,000.

3. Upon disposal of the sites, through sales or lease, to pay one of the following amounts to the EPA, respectively:
 - a. 50% of any amount of sales proceeds received in excess of \$9 million, up to \$12.2 million.
 - b. 40% of any amount received in excess of \$12.2 million, up to \$14.2 million, plus \$1.6 million.
 - c. 25% of the sales proceeds over \$14.2 plus \$2.4 million.
4. Not to sell the sites for less than \$13.0 million.
5. Not to reduce the sales proceeds to account for any costs including redevelopment remediation, negotiating, brokerage, and closing costs.

Development of Waterfront Properties

Pursuant to an order of consent, the City of Glen Cove had remediated the Captain's Cove State Inactive Hazardous Waste Site with the assistance and oversight of New York State Department of Environmental Conservation. The City had also contributed to the remediation of the LI Tungsten Superfund site. The City was recognized as one of the sixteen original Brownfield Showcase communities for its remediation efforts and received a Brownfield Economic Development Initiative grant.

Contract for Sale of Land for Private Redevelopment

On May 14, 2003, the IDA, the CDA, and Glen Isle Development Company, LLC, a limited liability company organized under the laws of the State of New York, entered into an agreement for IDA to sell the Waterfront Property to Glen Isle for a price to be determined upon obtaining independent appraisals. Initially, the minimum agreed upon price was \$12.5 million and the maximum is \$26 million. The projected sales price was approximately \$20.5 million dollars. The purchase price will be adjusted

for any offsite infrastructure costs imposed on Glen Isle by IDA and the estimated costs of any additional environmental investigation and remediation. On April 15, 2005, the contract was amended and the minimum purchase price was raised to \$25 million. On October 13, 2009, the agreement was amended and the Redeveloper agreed to advance \$500,000 to the IDA to be used to pay project related expenses and obtained a \$950,000 mortgage on the property.

Glen Isle has delivered \$1,000,000 good faith escrow to an escrow agent to pay engineering consulting fees expended for the review of construction plans, and advanced a refundable amount of \$150,000 for professional fees to IDA. Any interest earned on the escrow account will belong to the IDA.

Development of the Downtown Village Square

In November 2010, the IDA received a \$1,000 deposit check accompanied by an Application for Financial Assistance from GCVS, LLC for the redevelopment of the Downtown Village Square into a mixed use development. This project should begin development sometime in 2012.

Men on the Move-Glen Cove Storage, LLC

On August 17, 2012, the IDA entered into a straight-lease agreement with Men on the Move-Glen Cove Storage, LLC and received \$60,148 in fees from that company. Men on the Move will open its newest location in Glen Cove, N.Y. Construction of the storage facility began in the Fall of 2011 and is set to open sometime in the Spring of 2012.

NOTE 9. PERSONNEL COSTS AND PENSION PLAN

The Industrial Development Agency does not have any employees or retirees. The management and staff requirements of IDA are provided by the CDA on a cost reimbursable basis. The salary and benefits of the CDA personnel who work on IDA

projects are recorded as expenses of the IDA and amounts due to the CDA.

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

There were no premiums paid for any retirees of the IDA, as there were none. The net OPEB obligation was calculated as follows:

Actuarial Methods and Assumptions

The actuarial valuation was performed as of January 1, 2011 and will be performed bi-annually thereafter. In the interim years, the Actuarial service will provide the IDA with an estimate. For the year ended December 31, 2011, the actual expense was \$52,385 and for the year ended December 31, 2010, the estimate was \$ 50,989. An Actuarial Cost Method, used herein is referred to as the projected unit credit method.

| OPEB OBLIGATION | | | |
|-----------------|------------------|--|---------------------|
| Fiscal Year | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
| 12/31/2011 | \$71,816 | 27% | \$ 157,679 |
| 12/31/2010 | \$68,494 | 28% | \$ 105,294 |

The Agency's annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 is as follows:

| ANNUAL OPEB COST AND NET OPEB OBLIGATION FISCAL YEAR ENDING | | | |
|---|------------------|------------------|--|
| | 2011 | 2010 | |
| 1.Normal Cost | \$42,110 | \$41,085 | |
| 2.Amortization of Unfunded AAL | 29,360 | 26,474 | |
| 3.Interest | <u>1,765</u> | <u>1,668</u> | |
| 4. Normal Cost (ARC) | 73,235 | 69,227 | |
| 5. Interest | 5,265 | 2,715 | |
| 6 Adjustment to Annual Required Contributions | <u>(6,684)</u> | <u>(3,448)</u> | |
| 7.Annual Required Contribution - ARC (1+2+3) | 71,816 | 68,494 | |
| 8. Less Contribution made | <u>(19,431)</u> | <u>(17,505)</u> | |
| 9. Annual OPEB Cost (Expense) | 52,385 | 50,989 | |
| 10. Net OPEB Obligation- beginning of year | <u>105,294</u> | <u>54,305</u> | |
| 11. Net OPEB Obligation- end of year | <u>\$157,679</u> | <u>\$105,294</u> | |

The funding status of other post-employment benefit obligations is described in the table at the bottom of the page.

| FUNDING STATUS AND FUNDING PROGRESS | | | | | | |
|-------------------------------------|---------------------------|-----------------------------------|---------------------|--------------|-----------------|---|
| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage Of Covered Payroll |
| | (a) | (b) | (b-a) | (a/b) | (c) | ((b-a)/c) |
| 01/01/2011 | \$-0- | \$473,896 | \$(473,896) | 0% | \$102,421 | 463% |
| 01/01/2010 | \$-0- | \$427,329 | \$(427,329) | 0% | \$102,421 | 417% |

The amortization method used in the valuation is referred to as the 30-year level dollar. It develops an orderly allocation of the actuarial present value of benefit payments over the working lifetime of participants in the plan. The actuarial assumptions included: a funding interest rate of 5.0%; A 2011 Medical trend rate of 10.0%; An ultimate trend rate, estimated to be reached in 2020, of 5.0%; dental trend rate of 5.0%; and that the remaining amortization period (closed) at December 31, 2011, is 27 years. The annual amortization is computed using the discounted present value method. No salary scale assumptions were used because benefits are not dependent on participant compensation. The number of active plan participants is 8.

NOTE 11. ESCROW ACCOUNTS

Reimbursement of Consulting Costs

In March 2008, Rexcorp-Glen Isles-Partners, LLC and the IDA entered into an escrow agreement for consulting services. Rexcorp-Glen Isles-Partners, LLC agreed to give \$75,000 to the IDA to pay or reimburse the cost of its consultants on the Waterfront project for the period from March 10 thru 90 days thereafter. The date of the escrow was extended and was used for planning services related to the Waterfront properties. The total deposits from the developer were \$253,415. On October 13, 2009, certain changes were made to the LDA and the Redeveloper agreed to advance the IDA \$500,000 in 2009. These funds are to be used for project costs and related expenses. For the years, ended December 31, 2011 and 2010, the developer made advances of \$75,000 and \$162,500, respectively for an aggregate of \$387,500.

On November 12, 2008, the Agency entered into an escrow agreement for consulting services with The Warf at Jude Thaddeus Landing, Inc. to reimburse the cost of its consultants in connection with the Gateway Project and a proposed Office/Restaurant

Complex at the Warf at Jude Thaddeus Landing. For the year, ended December 31, 2011, deposit and expenses aggregated \$220, with a balance of \$0 in accounts payable.

NOTE 12. RISK FINANCING

The Agency is exposed to various risks of losses related to torts; theft of, damages to and destruction of assets; omissions; injuries to employees, and natural disasters. The Agency had no such losses in 2011 and 2010. The potential losses in excess of the Agency's resources are covered under the City of Glen Cove policy of self-insurance. The Agency reports claims, expenditures and liabilities when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

NOTE 13. SUBSEQUENT EVENTS

The Agency has evaluated the subsequent events and transaction as of March 31, 2012, the date that the financial statements were issued.

The Developer advanced \$112,500 to the IDA on January 10, 2012 per the Amendment #3 to the LDA for an aggregate of \$500,000.

On February 28, 2012, the City Council, CDA and IDA boards adopted a resolution that lowered the rental and interest rate that the City charges on the outstanding balances owed by the CDA and IDA. The annual rental of the Agencies was reduced from \$40,000 to \$9,120 and interest rate was set at the borrowing rates of the agencies. For the year ended December 31, 2011, the interest rate on the outstanding balances owed to the City .0727%, which is the 90 day LIBOR rate plus 20 basis points.

OTHER SUPPLEMENTARY INFORMATION



Supplementary Information.....38

The following are not required supplementary information (RSI), under the generally accepted accounting principles in the United States and are provided for the purpose of additional analysis as required by required for statutory filing, under State of New York General Municipal Law 859.

- Schedules of revenues, expenditures, and changes in net position – budget and actual.
- The schedule shows the Agency’s budget as adopted and amended and actual expenses.
- The Schedule of Revenues, Expenses and Changes in Net position-Budget and Actual provides a comparison between the original and amended legally adopted budgets of the Agency and the actual revenues, expenses and changes in net position.
- Other supplementary information is provided to meet the General Municipal Law 859, the disclosures regarding the Agency’s Straight-lease and industrial and civic facilities revenue bonds and notes projects.

SUPPLEMENTARY INFORMATION - BONDS AND STRAIGHT LEASES

REVENUE BONDS

Certain industrial development revenue bonds issued by the Agency are secured by property, which is leased to companies and is retired by lease payments. The bonds are not obligations of the Agency, City or State. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts. Its primary function is to arrange financing between the borrowing companies and the bond and note holders. Trustees or banks acting as fiscal agents control funds arising from these transactions.

The Agency receives bond administration fees from the borrowing companies for providing this service. Such administrative fee income is recognized immediately upon the issuance of the bonds and notes.

A. School for Language and Communication Development - Bonds

On March 21, 2011, The School for language and Development obtained a lower interest rate using conventional financing and paid off the Civic Facilities bond-Series B in the amount of \$3,475,000.

B. National Healthplex (Regency of Glen Cove) - Bonds

1992 Series A Bonds

The aggregate principal amount of Series A Bonds is \$17,181,850, which consists of \$1,000,000 Series A Serial Bonds, \$14,500,000 Series A Term Bonds (Code Number 2801-92-01) and \$1,681,850 Series A Deferred Interest Bonds (2801-92-01). The Series A Serial Bonds have a stated interest rate of 9.5%, issued to yield 10%. The Series A Term Bonds have a stated interest rate of 9.5%, issued to yield 10%. The Series A

Deferred Interest Bonds have a stated rate of 9% issued to yield 10.5%.

The Series A Bonds and Taxable Series C Bonds are secured by a first mortgage and have a first lien on, and security interest in, the Regency and the land. The mortgage is evidenced by a promissory note requiring the Organization to make payments to the Trustee on a monthly basis to satisfy the semi-annual obligations of the Series A Bonds.

The obligations of National Healthplex, Inc. (a.k.a. Regency of Glen Cove (Regency)) to make payments are limited obligations of the Organization, and holders of the bonds will have recourse only to the Regency, the land, pledged property and Regency equipment to satisfy the obligations of the Organization with respect to the Bonds. No other revenues or assets of the Organization will be available for payments of, or as security for, the Bonds.

Pursuant to the sale agreement, the Organization is required to maintain a ratio of net earnings to debt service, as defined in the Trust Agreement, on the Series A Bonds, Taxable Series C (Code Number 2801-92-01) Bonds and other indebtedness of 1.15. If a ratio deficiency exists, the Organization is required to retain a management consultant to provide recommendations regarding the operations of the Regency. In previous years, the organization failed to achieve the required ratio of net earnings to debt service and accordingly, retained a management consultant. The consultant subsequently reviewed the Organization's operations and submitted a report of their findings and recommendations.

On March 6, 2002, the Trustee declared an event of default under the Trust Indenture and installment Sale Agreement for the Regency's failure to remit full debt service payments when due to the Trustee. The

Trustee also declared other events of default on September 10, 2002 and November 29, 2002. The Trustee has the right to make but has not made demand for the full payment of all outstanding bonds. In confirmation of the bonds for the year ending December 31, 2008, the Trustee reported that the Regency was in default due to failure to remit full debt service payments. The Trustee also reported that interest payments of \$919,600 were made for the same year.

In October of 2002, the Organization and certain Series A Bondholders mutually agreed that the Organization would limit its administration fee for management of the Regency to a base amount of \$5,000 per month plus a monthly incentive amount of 5% of the previous month's revenues of the Regency in excess of \$385,000.

Amendment of Original Indenture-Civic Facilities Revenue Bonds

Effective February 1, 2003, The Company requested and obtained an amendment to the original indenture and installment contract, from the IDA. The amendment is to correct the default. The holders of Series A Bonds have to consent to the amendment. The bondholders whose consent is required include (1) the holders of Series A Term Bonds and (2) Series A Deferred Interest Bonds, issued in 1992. Series A Term Bonds were issued originally in the aggregate principal amount of \$14,500,000. The principal amount of \$12,490,000 remained outstanding, as of July 1, 2002. Series A Deferred Interest Bonds were issued in the original appreciated amount of \$1,681,850. As of July 1, 2002, the appreciated amount was \$4,238,650. Deferred Interest Bonds mature at various dates, commencing on January 1, 2013, in the aggregate appreciated amount of \$14,000,000.

The amendment required the following:

1. The funds on deposit in the Debt Service Reserve Fund should be applied to partial

optional redemption of series A Term Bonds and the payment of transaction costs relating to obtaining the amendment. By April 1, 2003, Bonds with the principal amount of \$1,890,000 should be redeemed at 102% and all accrued interest on those bonds should be paid. The redemption and interest payment will be funded through transfer of \$1,927,800 from Debt Service Fund to the Bond Trustee.

2. The mandatory sinking fund payments for the Series A Term Bonds will be re-amortized so that annual debt service payable will not be reduced until the Series A Bonds are paid in full.
3. As long as any series A Bonds are outstanding, no debt service reserve fund or requirement shall be established for any additional bonds without the prior written consent of the holders of majority interest of the Series A Bonds.

On March 17, 2003, the Organization redeemed by optional redemption \$1,890,000 in principal amount of the Series A Term Bonds at a redemption price of 102% of the principal amount thereof plus accrued interest to the redemption date.

The Serial and Term Bonds pay interest on a semi-annual basis and provide for principal payments in accordance with a mandatory sinking fund redemption schedule, as amended. The Deferred Interest Bonds accrue interest, compounded semi-annually, and commenced principal payments in January 2003. The final maturity date on all Series A Bonds is July 1, 2019. The interest paid on these bonds is exempt from federal and state income taxes.

On July 1, 2003, trust funds were insufficient for the Trustee to remit the entire scheduled principal payment due certificate holders of the Series A Term Bonds. The amount of the unpaid portion of principal due Series A Term certificate holders was \$4,858,857, on June 30, 2008.

The current period and cumulative interest charges due on the Series A Deferred Interest Bonds were \$1,102,387 and \$7,679,440 for the year ending June 30, 2011, respectively, and the obligation for accrued interest has been classified as long-term liabilities in the financial statements.

The outstanding balance of the Series A Term Bonds as of June 30, 2011 was as follows:

| OUTSTANDING BALANCE OF THE SERIES A TERM BONDS AS OF JUNE 30, 2011 | | | |
|--|------------------|-----------------|--------------------|
| | <u>Amount</u> | <u>Discount</u> | <u>Net</u> |
| Series A Term Bonds | \$9,680,000 | \$287,868 | \$9,392,132 |
| Series A Deferred Interest Bonds | <u>1,681,850</u> | <u>50,800</u> | <u>1,631,050</u> |
| Total | \$11,361,850 | \$338,668 | 11,023,182 |
| Less current maturity | | | <u>9,290,000</u> |
| Total Long term debt | | | <u>\$1,733,182</u> |

As of July 1, 2011, \$9,290,000 of term Bonds that would otherwise be required to be redeemed under the Indenture remain outstanding under the terms of the Forbearance Agreement. Current maturities of long-term debt, net of discounts are as follows:

| CURRENT MATURITIES OF LONG-TERM DEBT | |
|--------------------------------------|---------------------|
| 2012 | \$9,290,000 |
| 2013 | 390,000 |
| 2014 | <u>1,681,850</u> |
| Total | <u>\$11,361,850</u> |

As of December 31, 2011, Total appreciated amount attributable to deferred interest on series A Deferred Interest Bonds was \$8,100,690.

Note Payable - Series B Bonds and Note

The Regency was financed by the issuance of bonds by the Glen Cove Industrial Development Agency. Specifically, Series B

Bonds were issued and secured by a second mortgage and had a second lien on, and security interest in, the Regency and the land. The Series B Bonds were subsequently defeased. The promissory note remains outstanding, however, and is secured by a mortgage subordinate to the rights of payment of the holders of the Series A Bonds, Taxable Series C Bonds, and certain other indebtedness of the Regency.

The aggregate principal amount of the Series B Note (Code Number 2801-92-01) is \$4,122,350, which accrues and compounds interest semi-annually at 13.25% until October 15, 2019 and at 0%, until their maturity on October 15, 2031. The outstanding balance of the Series B Note was as follows:

| OUTSTANDING BALANCE OF THE SERIES B NOTE AS OF JUNE 30, 2011 | | | |
|--|-------------------------|-----------------------------|----------------|
| | <u>Principal Amount</u> | <u>Unamortized Discount</u> | <u>Balance</u> |
| Series B Note | \$4,122,350 | \$ 317,699 | \$ 3,804,651 |

The current period and cumulative interest charges due on the Series B Note were \$5,866,700 and \$45,786,650, respectively, as of June 30, 2011. As of December 31, 2011, the principal and interest on Series B Note was \$53,387,550.

Forbearance Agreement

The Trustee declared Events of Default under the Trust Indenture and Installment Sale Agreement for, among other things, the Regency's failure to remit full debt service payments when due to the Trustee. During the year, the Organization obtained a bridge loan and paid all current and unpaid interest to date and entered into a Forbearance Agreement dated February 14, 2008, with the sole Bondholder. The sole Bondholder has directed the Trustee to forbear from exercising any remedies until December 31, 2009, or the date that a refunding is consummated providing that there is no breach or violation of any term or condition

imposed upon the borrower during forbearance period. The third amendment to this agreement was extended until the earlier of February 1, 2012 or the date of refunding or breach of any term of condition imposed on the Borrowing. Any surplus cash flow must be paid to the trustee during the term of the agreement.

STRAIGHT LEASE AGREEMENTS

A. Avalon Bay Communities, Inc.

In June 2001, the IDA and Avalon Bay Communities, Inc. (“the Company”) entered a straight lease agreement (Code Number 2801-01-01). Through the lease agreement, the Agency takes title to the property and the machinery and equipment and provides property and sales tax relief to the Company. Under the lease contract, the Company agreed to acquire an approximately 3.5 acre site located at Pratt Boulevard, in the City of Glen Cove to construct an approximately 333,000 square foot luxury rental building together with 188,000 square foot enclosed parking facility. The IDA agreed to buy the building from the Company and lease it back to the Company. Thus, the Company was exempt from sales and use taxes, real property transfer taxes, and real estate taxes. The Company agreed to make payments in lieu of taxes.

The cost of the planning, development, acquisition, construction, and installation of the project facilities is estimated to be about \$50,170,000. The Company paid an administrative fee of \$303,000 to the IDA.

As a part of the agreement, the Company, purchased from the City a property located at Glen Street for \$1,100,000 and paid an option premium of \$900,000. The Company has exercised the option. Nonpayment of fees, not commencing construction on or before December 31, 2003, not obtaining the Certificate of Occupancy by August 25, 2005, are among the conditions that constitute default under the agreement.

In June 2003, Avalon Bay Communities, Inc. exercised its option and purchased the Glen Street Parcel for \$2,000,000, (2801-06-1). Avalon Bay had already paid \$900,000 and agreed to pay the balance by December 31, 2003. It was further agreed that:

1. The construction plan had to be completed by March 30, 2004; construction had to commence by October 1, 2004 and be completed by June 30, 2006.
2. All building permits and other fees had to be paid by the later of June 1, 2004 or ten days after the invoices are submitted.
3. Payment in lieu of taxes should begin on January 1, 2006.
4. In lieu of \$50,000 payment required by the Preliminary Agreement, Avalon Bay shall pay the IDA, \$107,224. The Agency will use these funds in cooperation with the City of Glen Cove to upgrade Pratt Boulevard Municipal Parking lot.

In 2011, the payments made by Avalon Bay South, in lieu of taxes (PILOT) and the amount of tax exemptions were as follows:

| PAYMENTS MADE BY AVALONBAY SOUTH | | |
|----------------------------------|--------------------|--------------------|
| | <u>PILOT</u> | <u>Exemptions</u> |
| County | \$203,566 | \$234,997 |
| Local | 407,133 | 1,041,168 |
| School | <u>955,196</u> | <u>2,031,747</u> |
| Total | <u>\$1,565,895</u> | <u>\$3,307,912</u> |

Avalon Bay North’s (PILOT) began January 1, 2008. The tax exemptions were as follows for 2011:

| PAYMENTS MADE BY AVALONBAY NORTH | | |
|----------------------------------|------------------|--------------------|
| | <u>PILOT</u> | <u>Exemptions</u> |
| County | \$70,441 | \$81,940 |
| Local | 135,851 | 363,042 |
| School | <u>296,860</u> | <u>708,444</u> |
| Total | <u>\$503,152</u> | <u>\$1,153,426</u> |

The IDA receives an aggregate of \$4,000 each year for administration fees for both buildings.

B. Straight Lease Agreement with Safavieh – 18 School Street, LLC (“Safavieh”) – (“Swezey”)

On March 3, 2000, the Agency and Swezey entered a straight lease agreement regarding the property located at 16-24 School Street, Glen-Cove, New York. In order to finance a portion of the costs of the project Swezey obtained a mortgage loan in the amount of \$5,000,000 from the Citibank, N.A. On July 24, 2003, Swezey obtained another loan of \$1,600,000 by issuing a mortgage note payable to a subordinated lender. The Agency approved to grant exemption from mortgage recording tax in an amount not to exceed \$16,000 and Swezey accepted to reimburse the Agency for all related costs to the Agency.

On May 1, 2005, Swezey reacquired the properties located at 16-18 and 24 School Street from the Agency and conveyed it to 18 School St, LLC (“Safavieh”) (Code Number 2801-05-01). At the same time, Safavieh has conveyed the property to and entered into a lease agreement (“Pilots Agreement”) with the Agency. As of May 1, 2005, Safavieh is required under the lease contract and payments in lieu of taxes agreement to make the following future real property taxes payments:

| REAL PROPERTY TAXES PAYMENTS | |
|------------------------------|-----------|
| Year ended June 30, | Amount |
| 2012 | \$179,900 |
| 2013 | 194,310 |
| 2014 | 209,151 |

The lease payment for the year ended June 30, 2011 was \$165,910.

C. Straight Lease Agreement with Men on the Move–Glen Cove Storage, LLC (“MOTM”)

On August 1, 2011, the Glen Cove IDA entered into a straight Lease Agreement, (“Pilot Agreement”) with Men on The Move-Glen Cove Storage LLC. Code #(2801-11-01), regarding the property located at 88-90 Hazel Street, City of Glen Cove. The Company paid an administrative fee of \$60,148 to the IDA. The PILOT program will commence for the tax year 2012-2013 and will last for 10 years. MOTM is required under the lease contract and payments in lieu of taxes agreement to make the following future real property taxes payments:

| REAL PROPERTY TAXES PAYMENTS | |
|------------------------------|-----------|
| Tax Year | Amount |
| 2012-2013 | \$145,525 |
| 2013-2014 | 164,453 |
| 2014-2015 | 184,009 |
| 2015-2016 | 204,193 |

The total cost of the project is approximately \$7,553,000. MOTM is required by the contract to create at least 3 new full time jobs within one year after the scheduled completion date and maintain these jobs throughout the term of the lease. The IDA will collect a \$1,000 annual admin fee from MOTM.

SCHEDULE OF SUPPLEMENTARY INFORMATION

BONDS AND STRAIGHT LEASES

| | BONDS | STRAIGHT LEASES | | | |
|------------------|--|---|---|---|---|
| | Regency | Safavieh | Avalon Bay 1 (North) | Avalon Bay 2 (South) | Men on The Move |
| Project Code | 2801-92-01 | 2801-05-01 | 2801-01-01 | 2801-11-01 | 2801-06-01 |
| Name of Project: | National Healthplex - Civic Facilities Regency | Safavieh | Avalon Bay | Avalon Bay | Men on The Move |
| Project Address: | 94 School Street Glen Cove, NY 11542 | 24 School Street Glen Cove, NY 11542 | 135 Pine Lawn Road Glen Cove, NY 11542 | 135 Pine Lawn Road Glen Cove, NY 11542 | 89-90 Hazel Avenue Glen Cove, NY 11542 |

SCHEDULE OF SUPPLEMENTARY INFORMATION

BONDS AND STRAIGHT LEASES
(Continued)

| Bond and Purpose | Issue Date | Interest Rate Fixed | Outstanding Balances | Issued During The Year | Paid During The year | Outstanding 12/31/2011 | Final Maturity Date |
|-----------------------------|------------|---------------------|----------------------|------------------------|----------------------|------------------------|---------------------|
| | | | <u>June 30, 2011</u> | | | | |
| <u>National Healthplex</u> | | | | | | | |
| Civic Facilities - Series A | Jan-92 | 9.50% | 9,680,000 | | 287,868 | 9,392,132 | Jul-2019 |
| Civic Facilities - Series A | Jan-92 | 9.50% | 1,681,850 | | 50,800 | 1,631,050 | Jul-2019 |
| * Civic Facilities - Note B | Jan-92 | 13.25% | | | | 3,804,651 | Jul-2019 |
| Total | | | 15,484,200 | | 656,367 | 14,827,833 | |

SCHEDULE OF SUPPLEMENTARY INFORMATION
BONDS AND STRAIGHT LEASES
(Continued)

| | BONDS | | STRAIGHT LEASES | | | |
|---|---------------------|----|-----------------|--------------|---------------|--------------|
| | National Healthplex | | Men on The Move | Safavieh | Avalon Bay 1 | Avalon Bay 2 |
| Project Code | 2801-92-01 | | 2801-11-01 | 2801-05-01 | 2801-01-1 | 2801-06-1 |
| Project Purpose: | Construction | | Self-Storage | Retail Trade | Construction | Construction |
| Total amount of lease | N/A | \$ | 7,553,000 | 5,000,000 | 67,836,474 | 25,864,145 |
| Benefited Project Amount: | \$ 21,800,000 | \$ | 7,553,000 | \$ N/A | \$ N/A | \$ N/A |
| Total Project Amount: | \$ 21,800,000 | \$ | 7,553,000 | \$ N/A | \$ 25,854,145 | \$ 5,397,577 |
| Original-Bond/ Note Amount: | \$ 17,181,850 | | N/A | \$ N/A | \$ N/A | \$ N/A |
| Organization: Nonprofit | Yes | | No | No | No | No |
| Federal tax Status | Tax exempt | | Taxpaying | Taxpaying | Taxpaying | Taxpaying |
| New tax revenues if no Exemption granted | -0- | | -0- | -0- | -0- | -0- |
| Method of financial assistance Other than tax exemption: | | | | | | |
| Type | None | | None | None | None | None |
| Amount | None | | None | None | None | None |
| Exemptions: | | | | | | |
| Sales tax - | | | | | | |
| State | -0- | | -0- | -0- | -0- | -0- |
| Local | -0- | | -0- | -0- | -0- | -0- |
| Real property tax | | | | | | |
| County | \$ 44,835 | | -0- | \$ 30,381 | \$ 278,733 | \$ 97,190 |
| Local | 141,159 | | -0- | 92,121 | 832,826 | 290,395 |
| School | 284,440 | | -0- | 185,625 | 1,678,163 | 585,154 |
| Mortgage recording | -0- | | -0- | -0- | -0- | -0- |
| Total exemptions | \$ 470,434 | \$ | - | \$ 308,127 | \$ 2,789,722 | \$ 972,739 |

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION

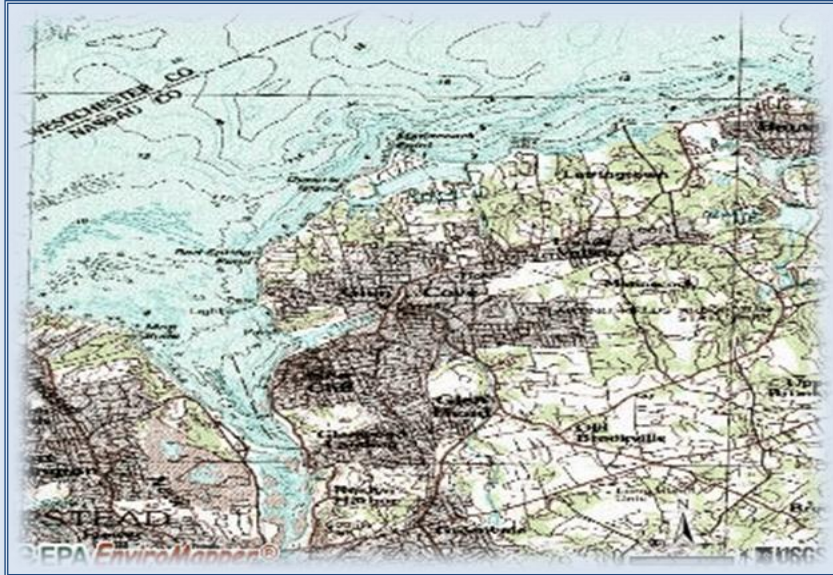
BONDS AND STRAIGHT LEASES
(Continued)

| Project Code | BONDS | | STRAIGHT LEASES | | |
|--|-----------------------------------|-------------------------------|------------------------|----------------------------|----------------------------|
| | National Healthplex 2801-92-01 | Men on The Move 2801-11-01 | Safavieh 2801-05-01 | Avalon Bay 1 2801-01-01 | Avalon Bay 2 2801-06-01 |
| Payment in lieu of taxes | | | | | |
| To all eligible governments | | | | | |
| County | \$ 35,301 | \$ -0- | \$ 19,803 | \$ 162,658 | \$ 66,283 |
| Local | 83,437 | -0- | 39,605 | | |
| School | 202,179 | -0- | 92,920 | 763,241 | 127,832 |
| Total | \$ 320,917 | \$ - | \$ 152,328 | \$ 1,251,215 | \$ 473,451 |
| Total exemptions net of RPTI | | | | | |
| Section 485 Exemptions | -0- | -0- | -0- | -0- | -0- |
| Full-Time Equivalent Jobs created & retained | | | | | |
| Full-Time Equivalent Employees at | | | | | |
| Project Location- prior to IDA Status | 42 | -0- | -0- | -0- | -0- |
| Original estimate of jobs to be created | -0- | 3/100* | 25 | 25/150* | 6/100* |
| Original estimates of jobs to be retained | 40 | 3 | -0- | -0- | -0- |
| Number of current full-time | | | | | |
| Equivalent employees | 45 | -0- | 15 | 9 | 4 |
| Number of FTE Jobs Created | -0- | 0/100* | 4 | -0- | 0/75 * |
| Number of jobs retained during | | | | | |
| The fiscal year | 45 | 0/100* | 15 | 9 | 4 |
| Number of construction jobs created | | | | | |
| During the fiscal year | -0- | -0- | -0- | -0- | 75 |

* During construction.

COMPLIANCE SECTION

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



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

Honorable Mayor Ralph Suozzi,
Board of Directors and Members
Glen Cove Industrial Development Agency
Glen Cove, New York

We have audited the financial statements of the Glen Cove Industrial Development Agency (the "Agency") as of and for the years ended December 31, 2011 and 2010 and have issued our report thereon dated March 30, 2012. We conducted our audits 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.

Internal Control over Financial Reporting

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

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors and management of the Agency and is not intended to be and should not be used by anyone other than these specified parties.

TABRIZCHI & Co., CPA, P.C.

Garden City, NY
March 30, 2012