

**GLEN COVE**  
**COMMUNITY 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  
COMMUNITY DEVELOPMENT AGENCY  
GLEN COVE, NEW YORK**

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

*FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011*



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

**Glen Cove Community Development Agency**  
**(A Component Unit of the City of Glen Cove, New York)**

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Financial Statements  
For The Year Ended December 31, 2011

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## FINANCIAL SECTION





## BASIC FINANCIAL STATEMENTS



## INDEPENDENT AUDITORS' REPORT

Honorable Mayor Ralph V. Suozzi  
and the Members of the Board of the  
Glen Cove Community Development Agency  
Glen Cove, New York

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the major fund of the Community Development Agency, a component unit of the City of Glen Cove, New York, ("CDA") as of and for the year ended December 31, 2011, which collectively comprise the CDA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the CDA's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and the major fund of the Community Development Agency, a component unit of the City of Glen Cove, New York, as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year 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 Community Development Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal

control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3-11 and the Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual on page 41 are not a required part of the basic financial statements, but is supplementary information required by the Government Accounting Standards Board ("GASB"). We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying schedule of expenditures of federal awards on page 46 is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Garden City, NY  
March 30, 2012

TABRIZTEHI & Co., CPA, P.C.

# GLEN COVE COMMUNITY DEVELOPMENT AGENCY MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2011

## INTRODUCTION

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

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

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

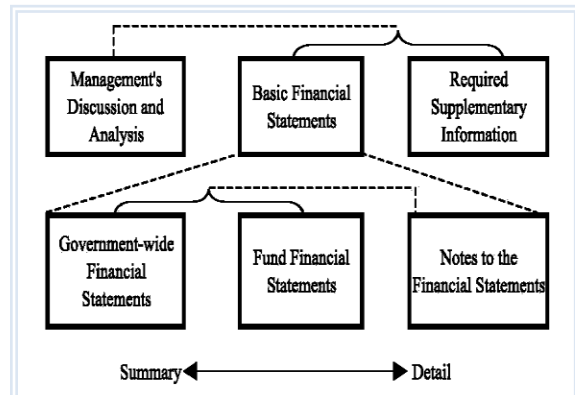
## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

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

This report also contains other supplementary information in addition to the basic financial statements. Such other supplementary information is not required but is provided for additional analysis.



## Government-wide Financial Statements

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

The Statement of Net Position consolidates reporting of the CDA's current financial resources with reporting of capital assets and long-term obligations, and thus summarizes all of the CDA's assets and liabilities. Net position is the difference between the CDA's



assets and liabilities; it is one measure of the CDA's financial health. In evaluating the net position of the CDA, other non-financial factors affecting the CDA's overall health and financial condition should be considered, such as changes in demographics and economic conditions, the condition (i.e. residential and commercial conditions and development requirements)

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

In the statement of Net Position and the Statement of Activities, pages 12 and 13, the CDA is divided into two kinds of activities for reporting purposes:

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

The government-wide financial statements can be found in pages 12-13 of this report.

### **Fund Financial Statements**

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

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

### **Governmental Fund**

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

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

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

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

The basic governmental fund financial statements are presented on pages 14-17 of this report.

### **Proprietary Fund**

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

The basic proprietary fund financial statements can be found on pages 18-20 of this report.

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

The notes supply information that is essential to a full understanding of the data in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements, pages 21-40.

### **BEYOND THE BASIC FINANCIAL STATEMENTS**

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

provides budgetary information as other supplementary information.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Financial Highlights**

Management believes that the CDA's financial condition remained strong and demonstrated some improvement. The following list encapsulates significant elements of the CDA's financial performance for fiscal year 2011 and 2010.

- The CDA had total net position of 7,568,008 at December 31, 2011, which decreased by \$144,398 (2%) from \$7,712,406, on December 31, 2010.
- The CDA's net position of governmental activities decreased by \$128,879 (2%) from \$7,201,131 in 2010 to \$7,072,252 in 2011. This decrease in assets was the result of expenses exceeding the operating revenues.
- The net position of the business-type activities decreased by \$15,519 (3%) from \$511,275 in 2010 to \$495,756 in 2011. The decrease was due to expenses exceeding grant revenues for the year.
- The CDA's total governmental activities liabilities were \$10,833,014 and long-term debt, including the current portion, was \$10,676,855 on December 31, 2011. Long-term debt payable included \$6,871,304 of Section 108 loan and \$3,343,032 due to the City of Glen Cove. The amount due to the City of Glen Cove includes a loan of \$1,255,000 that the City had obtained from the Environmental Facilities Corporation (EFC). The City had used \$1,255,000 to pay off a part of the CDA's \$6,000,000 Section 108 loan that bore a higher interest rate.
- Restricted net position decreased by \$149,106 (2%) from \$6,400,053 in 2010 to \$6,250,947 in 2011. The restricted

funds include the Community Development Block Grant and Section 8 Tenant-Based Housing choice Voucher grant funds.

### Net position

On December 31, 2011, total assets of the governmental activities were \$17,905,266 while total liabilities were \$10,833,014 resulting in net position of \$7,072,252 (Table 1 and Charts 1 and 2). Capital assets, less accumulated depreciation and related debt of \$637,200, were \$1,306,731 at December 31, 2011. Measurement of capital assets less related debt reflects net position invested in capital assets (land and equipment).

Although the CDA's net position invested in capital assets is reported, it should be noted that the resources needed to repay the debt related to the capital assets must be provided from other sources, since capital assets cannot be used to liquidate these liabilities. On December 31, 2011, the governmental activities had \$5,765,521 in restricted net position. As of December 31, 2011, the total assets of the Section 8 Program were \$819,773 and its total liabilities and net position were \$324,017 and \$495,756

respectively. A summary statement of net position is presented in Table 1.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the CDA, assets exceeded liabilities by \$7,072,252 and \$7,201,131 at the close of the 2011 and 2010, respectively. This represents a decrease in 2011 of net position of \$128,879 (2%) compared to the prior fiscal year. This decrease in net position was the result of expenses exceeding the operating revenues.

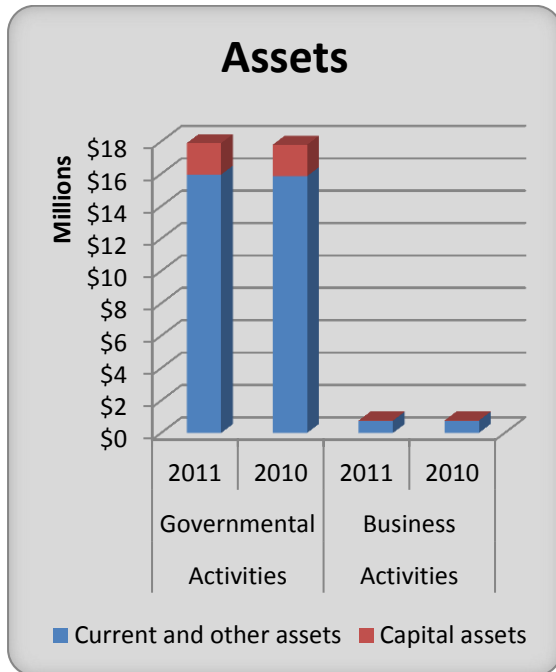
The largest category of CDA assets (89%) reflects its significant investment in non-current assets. Receivables from the Glen Cove Industrial Development Agency account for \$14,592,152 or (81%) of the total assets.

Capital assets of governmental activities primarily include the Waterfront road. Total capital assets were \$1,943,931 or approximately (11%) of the total assets on December 31, 2011. The road was acquired by the funds from the CDA's program income and \$637,200 debt to the City. The CDA has utilized the road to provide infrastructure for the Waterfront properties (Chart 1).

**TABLE 1**

SUMMARY OF NET POSITION AS OF DECEMBER 31, 2011 AND 2010						
	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Assets</b>						
Current and other assets	\$15,961,335	\$15,861,856	\$815,117	\$762,699	\$16,776,452	\$16,624,555
Capital assets	1,943,931	1,939,224	4,656	5,087	\$1,948,587	1,944,310
Total Assets	<u>\$17,905,266</u>	<u>\$17,801,080</u>	<u>\$819,773</u>	<u>\$767,786</u>	<u>\$18,725,039</u>	<u>\$18,568,865</u>
<b>Liabilities</b>						
Long term liabilities outstanding	\$10,676,855	\$10,144,449	\$298,453	\$231,256	\$11,000,647	\$10,375,705
Other liabilities	156,159	455,500	25,564	25,255	\$156,384	480,755
Total liabilities	<u>10,833,014</u>	<u>10,599,949</u>	<u>324,017</u>	<u>256,511</u>	<u>11,157,031</u>	<u>10,856,460</u>
<b>Net position</b>						
Capital assets, net of related debt	1,306,731	1,302,023	4,655	5,087	1,311,386	1,307,110
Restricted	5,765,521	5,899,108	485,426	500,945	6,250,947	6,400,053
Unrestricted	--	--	5,675	5,243	5,675	5,243
Total net position	<u>\$7,072,252</u>	<u>\$7,201,131</u>	<u>\$495,756</u>	<u>\$511,275</u>	<u>\$7,568,008</u>	<u>\$7,712,406</u>

**CHART 1**



of New York Local Government Records Management Improvement Fund (LGRMIF). The funds were used to classify, organize and maintain the Agency’s archives. In 2010, the Agency had received more CDBG and other grants.

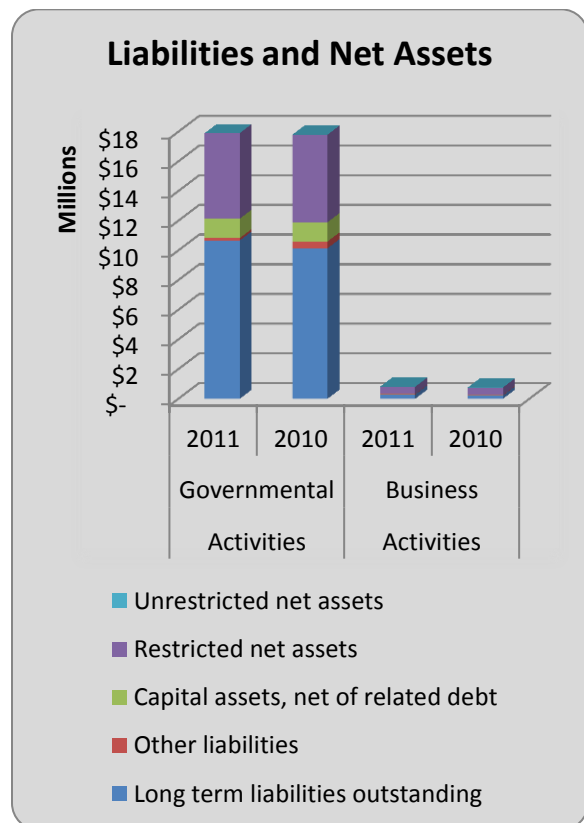
The Section 8 Program had net position of \$495,756 on December 31, 2011. HUD considers the availability of net position in providing additional revenues to the Section 8 Program. The Section 8 Program housing expenditures and administrative fees are affected by the availability of suitable housing units, the 340 unit limitation on the number of housing units that can be leased and the income levels of the applicants. The increase in housing rental costs and the number of units rented accounted for the \$40,902 (1%) increase in the in Section 8 revenues.

The CDA’s net restricted assets of \$5,765,521 for the current year represent resources that are subject to external restrictions on how they may be utilized. In the case of the CDA, these restrictions are primarily related to the compliance requirements of the Community Development Block Grant and the Public Housing Choice Voucher programs funded by the U.S. Department of Housing and Urban Development (Chart 2).

**Changes in Net position**

The Agency’s program revenues accounted for almost 100% of the revenues in 2010. The total program revenues from operating grants was \$5,277,008, for governmental and business type activities in 2011 (Table 2 and Chart 3). The program revenues from operating grants decreased by \$829,614 (14%) from \$6,106,622 reported at the end of 2010. The decrease in program revenues in 2011 was primarily due to a decrease in the CDBG of \$241,819, Brownfields grant of \$299,024 and DEC grant of \$343,170. In 2011, the CDA was awarded \$16,509 from the State

**CHART 2**



The general revenues from interest earned were \$444 and \$504 in 2011 and 2010, respectively. The general revenue constituted less than 1% of the total revenue of the CDA in 2011 and 2010.

The total expenses of the Agency were \$5,421,850 in 2011 as compared to \$5,023,775 in 2010 (Table 2 and Chart 3). The \$398,075 (8%) increase was primarily due to higher housing assistance payments as a result of increase in housing costs and number of units rented.

The governmental activities expenses increased by \$199,358 (68%). Certain portion of the Agency economic development expenditures from CDBG funds are on behalf of and are reimbursable by IDA. These expenditures are recorded as due from IDA.

The balance of CDBG funds pay the expenses of the Agency. In 2011, the community development expenses of CDA increased by \$150,282 as compared to 2010.

Home and community services constituted the largest portion of expenses of the Agency in 2011 and 2010, representing 89% of total expenses (Chart 3).

As a result of expenses exceeding revenues, the decrease in net position for the year was \$144,398. The net position changed from \$7,712,406 for the year ended 2010 to \$7,568,008 in 2011.

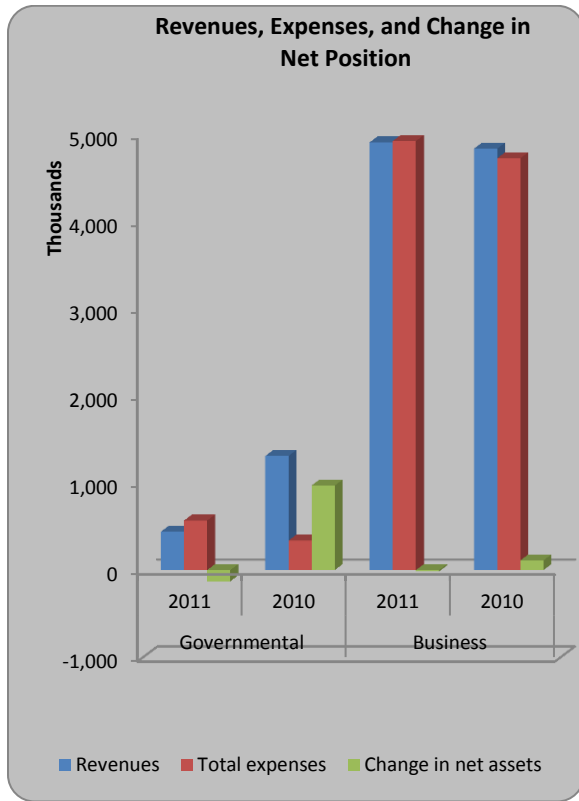
Revenues and expenses of the CDA's governmental and business-type activities are detailed in Table 2 below.

**TABLE 2**

CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010						
	Governmental Activities		Business-Type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Revenues</b>						
Operating grants	\$440,188	\$ 1,310,704	4,836,820	\$4,795,918	\$5,277,008	\$6,106,622
Interest	-	-	444	504	\$444	504
<b>Total revenues</b>	<u>440,188</u>	<u>1,310,704</u>	<u>4,837,264</u>	<u>4,796,422</u>	<u>5,277,452</u>	<u>6,107,126</u>
<b>Expenses</b>						
Culture and recreation	50,000	60,274	-	-	50,000	60,274
Home and community	<u>444,347</u>	<u>234,715</u>	<u>4,927,503</u>	<u>4,728,786</u>	<u>5,371,850</u>	<u>4,963,501</u>
<b>Total expenses</b>	<u>494,347</u>	<u>294,989</u>	<u>4,927,503</u>	<u>4,728,786</u>	<u>5,421,850</u>	<u>5,023,775</u>
Increase in net position before transfers	(54,159)	1,015,715	(90,239)	67,636	(144,398)	1,083,351
Transfers out (in)	<u>(74,720)</u>	<u>(43,402)</u>	<u>74,720</u>	<u>43,402</u>	-	-
Increase in net position	(128,879)	972,313	(15,519)	111,038	(144,398)	1,083,351
Net position, beginning	<u>7,201,131</u>	<u>6,228,818</u>	<u>511,275</u>	<u>400,237</u>	<u>7,712,406</u>	<u>6,629,055</u>
<b>Net position, ending</b>	<u>\$7,072,252</u>	<u>\$7,201,131</u>	<u>\$495,756</u>	<u>\$511,275</u>	<u>\$7,568,008</u>	<u>\$7,712,406</u>



**CHART 3**



**Governmental Funds**

Total assets of the Agency’s General Fund were \$16,300,510 in 2011 as compared to \$16,126,311 in 2010. The increase of \$174,199 (1%) in 2011 is the net result of \$561,901, receivable from the IDA and decrease in grants receivable and cash accounts of \$354,869 and \$32,834, respectively. The increase in receivables from the IDA is because of the expenditure of the CDBG funds, Section 108 loans and Brownfield grant funds for professional and other services on behalf of the IDA.

Total liabilities of the General Fund increased by \$325,731 (2%), from \$14,887,001 in 2010 to \$15,212,732 in 2011. The increase is primarily due to an increase in deferred revenues, representing the amounts receivable from IDA for waterfront expenditures. The deferred revenues increased by \$553,648 (4%) from

\$14,175,300, in 2010, to \$14,728,948, in 2011.

The inter-fund liability increased by \$74,720 (28%) from \$264,455 in 2010 to \$339,175 in 2011. The interfund liability essentially includes the OPEB and accrued compensated absence expenses of the Section 8 Program that will be paid from the Agency’s General Fund.

The expenditures and other uses of funds exceeded the revenues and other sources of funds by \$151,532. The Agency had a fund balance of \$1,087,778 in 2011 as compared to \$1,239,310 in 2010

The revenues of the general Fund decreased by \$870,706 (66%). The revenues were \$1,310,895 in 2010 and \$440,189 in 2011. The additional CDBG grant of \$241,819, DEC Grant of \$343,170, Brownfield grant of \$104,539 received in 2010 were the principal reasons for the higher revenues in that year. In 2011, CDA borrowed \$433,552 of Section 108 loan for the development of Waterfront properties, as compared to \$396,983, in 2010. In 2010, CDA had borrowed \$130,097 and \$210,000, from the City and County of Nassau, respectively. The amounts borrowed in 2010 were for the Waterfront expenditures.

The General Fund’s current expenditures decreased by \$170,780 (15%) from \$1,122,424 in 2010 to \$951,644 in 2011, due to lower amount of grant funds in 2011. The expenditures for home and community service, general administration and culture and recreation decreased by \$91,633 (11%), \$68,873 (30%) and \$10,274 (17%), respectively from \$829,056 in 2010, to \$737,423, in 2011.

## Capital Assets

As of December 31, 2011 the capital assets of the CDA were as follows:

**TABLE 3**

CAPITAL ASSETS DECEMBER 31, 2011	
	Amount
Waterfront road	1,937,200
Equipment	44,807
Total capital assets	1,982,007
Less: Accumulated depreciation	(33,420)
Total capital assets, net	\$1,948,587

The Agency owes \$673,200 to the City for the acquisition of the Connector Road. The Section 8 Program capital assets include \$31,651 of equipment with accumulated depreciation of \$26,996. For additional information, please refer to the notes to the financial statements, Note 4 "Capital Assets" on page 33.

## Debt Administration

On December 31, 2011, the long-term liabilities of \$10,676,855 accounted for 99% of the total liabilities of \$10,833,014. Long-term liabilities include the amount of \$6,871,304 borrowed for the Waterfront Development Project in Section 108 loans, \$208,361 for OPEB, \$8,131 notes payable to the NYS Employees Retirement System, \$216,715 interest and principal for the Brownfield Revolving Loan Fund, \$26,016 for compensated absences and \$3,296 installment loan for purchase of equipment. Initially, the CDA had borrowed \$6,000,000 from HUD as a Section 108 Loan. The repayment of this loan is guaranteed by the future Community Development Block Grant funds of the CDA. Subsequently, the City of Glen Cove borrowed \$1,255,000, from the New York State Environmental Facilities Corporation, at a lower interest rate and paid off a part of the Section 108 loan. The CDA owes a total of \$3,343,032 to the City for the waterfront expenditures, including loan

refinancing of \$1,255,000. In 2010, the Agency received \$396,983 from a second Section 108 loan. The Section 108 loans have provided the CDA with a source of financing for the large-scale physical development of the Waterfront Properties that are owned by the Glen Cove Industrial Development Agency. This loan has allowed the CDA to transform a small portion of its CDBG funds into federally guaranteed loans large enough to pursue its physical and economic revitalization projects that has renewed the entire neighborhood. This public investment was needed for the environmental cleanup and to inspire private economic activity. Section 108 loans are not risk-free, however; the CDA has guaranteed the Section 108 loans by pledging its current and future CDBG allocations as security. For additional information, please refer to the notes to the financial statements.

For additional information on long-term debt activity, please refer to the notes to the financial statement, pages 33-34.

## Retirement

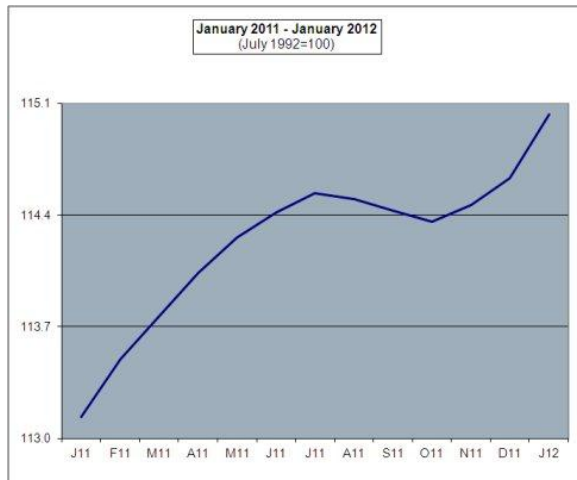
The New York State Employees' Retirement System has suffered some adverse effects of the weak stock market conditions in prior years. As a result, the system required additional contributions of approximately \$22,224 from the CDA in excess of the amounts previously budgeted. The CDA issued a note to the Retirement System to cover the additional liability. The note bears an annual interest rate of 5% and is amortized over a period of ten years. The outstanding balance of this note is \$11,466.

## Federal Aid

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

## ECONOMIC FACTORS AND NEXT YEAR'S PLAN

In 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

Dates in U. S. (Peak-Trough)	Length (months)	Dates in NYS (Peak Trough)	Length months	NYS Change in Jobs	
				Net (in 1000s)	Percent
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 CDA's finances and to demonstrate the CDA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Community Development Agency, Executive Director at (516) 676-1625.

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



**GLEN COVE COMMUNITY DEVELOPMENT AGENCY  
STATEMENT OF NET POSITION  
DECEMBER 31, 2011**

<b>Assets</b>	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 37,956	\$ 434,805	\$ 472,761
Receivable from other governments	83,022	-	83,022
Other receivables:			
Due in one year	-	41,137	41,137
Due from Community Development Agency	(339,175)	339,175	-
Due from City of Glen Cove	136,797	-	136,797
Due from Industrial Development Agency	14,592,152	-	14,592,152
Land held for development and resale	1,450,583		1,450,583
Capital assets:			
Land	1,937,200	-	1,937,200
Other capital assets, net of depreciation	<u>6,731</u>	<u>4,656</u>	<u>11,387</u>
Total capital assets	<u>1,943,931</u>	<u>4,656</u>	<u>1,948,587</u>
Total assets	17,905,266	819,773	18,725,039
<b>Liabilities</b>			
Accounts payable accrued expenses	156,159	225	156,384
Non-current liabilities:			
Due in one year	8,640	25,339	33,979
Due in more than one year	<u>10,668,215</u>	<u>298,453</u>	<u>10,966,668</u>
Total liabilities	<u>10,833,014</u>	<u>324,017</u>	<u>11,157,031</u>
<b>Net position</b>			
Net investment in capital assets	1,306,731	4,655	1,311,386
Restricted for:			
Section 8 Housing Choice Voucher Program	-	485,426	485,426
Community Development Block Grant Program	5,765,521	-	5,765,521
Unrestricted:	<u>-</u>	<u>5,675</u>	<u>5,675</u>
Total net position	<u>\$ 7,072,252</u>	<u>\$ 495,756</u>	<u>\$ 7,568,008</u>

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



**GLEN COVE COMMUNITY DEVELOPMENT AGENCY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charge for Services	Operating Grants	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
Culture and recreation	\$ (50,000)	-	\$ 50,000	\$ -	\$ -	\$ -
Home and community	(444,347)	-	390,188	(54,159)	-	(54,159)
Business-type Activities:						
Housing assistance	<u>(4,927,503)</u>	-	4,836,820	-	<u>(90,683)</u>	<u>(90,683)</u>
Total	<u>\$ (5,421,850)</u>	<u>-</u>	<u>\$ 5,277,008</u>	(54,159)	(90,683)	(144,842)
General revenues:						
Interest				-	444	444
Transfers in (out)				<u>(74,720)</u>	<u>74,720</u>	<u>--</u>
Change in net position				(128,879)	(15,519)	(144,398)
Net position – January 1, 2011				<u>7,201,131</u>	<u>511,275</u>	<u>7,712,406</u>
Net position – December 31, 2011				<u>\$ 7,072,252</u>	<u>\$ 495,756</u>	<u>\$ 7,568,008</u>

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

**BASIC FINANCIAL STATEMENTS:**

**FUND FINANCIAL STATEMENTS**



**GLEN COVE COMMUNITY DEVELOPMENT AGENCY  
BALANCE SHEET - GOVERNMENTAL FUND  
DECEMBER 31, 2011**

**Assets**

Cash	\$ 37,956
Receivable from other Governments	83,022
Due from City of Glen Cove	136,797
Land held for development and sale	1,450,583
Due from Industrial Development Agency	<u>14,592,152</u>
 Total assets	 <u>\$ 16,300,510</u>

**Liabilities:**

Accounts payable & accrued expenses	\$ 144,609
Due to Housing Choice Voucher Program	339,175
Deferred revenues	<u>14,728,948</u>
 Total liabilities	 15,212,732

**Fund balances:**

Restricted for community development	<u>1,087,778</u>
 Fund balance	 <u>1,087,778</u>
 Total liabilities and fund balance	 <u>\$ 16,300,510</u>

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

**GLEN COVE COMMUNITY DEVELOPMENT AGENCY  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2011**

Fund balances - total governmental funds		\$ 1,087,778
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources therefore are not reported in the governmental funds:		
Governmental capital assets		1,950,356
Less accumulated depreciation		(6,425)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds:		
Governmental long-term debt Section 108 loan:		
Section 108 loan	(6,871,322)	
Due to City of Glen Cove	(3,343,032)	
Retirement system note	(8,131)	
Nassau County	(210,000)	
Compensated absences	(3,276)	
	(10,435,761)	
Program income recognized as earned in governmental activities. These revenues are recognized when measurable and available within the governmental fund		14,728,948
The net post-employment benefit liability is recorded in the Government-Wide financial statements but not in the fund financial statements		(234,376)
Interest accrued on long term debt recognized as expense in governmental Activities and not reported in the governmental fund until paid		(18,268)
Net position of governmental activities.		\$ 7,072,252

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

**GLEN COVE COMMUNITY DEVELOPMENT AGENCY  
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCE  
THE YEAR ENDED DECEMBER 31, 2011**

**Revenues:**

Federal aid	\$ 430,804
State aid	<u>9,385</u>
Total revenues	440,189

**Expenditures:**

Current:	
Culture and recreation	50,000
Home and community service	737,423
General administration	164,221
Capital:	
Equipment	1,060
Debt service:	
Principal	3,435
Interest	<u>496</u>
Total expenditures	<u>956,635</u>
Deficiency of revenues under expenditures	(516,446)

**Other financing sources (uses)**

Other sources- proceeds of Section 108 loan	433,554
Other sources- proceeds the City loan	6,080
Transfer out	<u>(74,720)</u>
Total other financing sources (uses)	<u>364,914</u>
Change in fund balance	(151,532)
Fund balance, January 1, 2011	<u>1,239,310</u>
Fund balance, December 31, 2011	<u>\$ 1,087,778</u>

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



**GLEN COVE COMMUNITY DEVELOPMENT AGENCY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

Net change in fund balances - total governmental funds \$ (151,532)

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

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

Loans made during the year	548,899
Write off of the loan receivable	(1,138,599)
Borrowing during the year	(439,635)

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

Retirement system note	1,797
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Purchase equipment	1,060
Current year depreciation	(1,267)

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

governmental funds:

Accrued compensated absences	(70,910)
Accrued interest	(18,930)
Copier payment	<u>1,639</u>

Change in net position of governmental activities	<u>\$ (1,267,478)</u>
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The notes to the financial statement are an integral part of this financial statement.

**GLEN COVE COMMUNITY DEVELOPMENT AGENCY  
HOUSING CHOICE VOUCHER PROGRAM  
STATEMENT OF NET POSITION  
DECEMBER 31, 2011**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 434,805
Receivables	41,137
Total current assets	<u>475,942</u>
Non-current assets:	
Due from Community Development Agency	339,175
Depreciable, net	4,656
Total non-current assets	<u>343,831</u>
Total Assets	<u><u>\$ 819,773</u></u>

**LIABILITIES**

Current liabilities:	
Accounts payable accrued expenses	\$ 225
Compensated absences –due in one year	25,339
Total current liabilities	<u>25,564</u>
Non-current Liabilities	
Compensated absences and pension note -Due in more than one year	101,355
OPEB	197,098
Total Liabilities	<u>324,017</u>

**NET POSITION**

Net investment in capital assets	4,655
Restricted for housing assistance payments	485,426
Unrestricted	5,675
Total net position	<u><u>\$ 495,756</u></u>

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

**GLEN COVE COMMUNITY DEVELOPMENT AGENCY  
HOUSING CHOICE VOUCHER PROGRAM  
STATEMENT OF REVENUES EXPENSES AND CHANGES IN NET POSITION  
THE YEAR ENDED DECEMBER 31, 2011**

Operating revenues:	
Administration fees earned	\$ <u>330,730</u>
Total operating revenues	330,730
Operating expenses:	
Salaries and benefits	353,575
Administrative expenditures	50,327
Depreciation expense	<u>1,548</u>
Total operating expenses,	<u>405,450</u>
Operating loss	(74,720)
Non-operating revenues (expenses)	
HUD Operating grant Housing assistance payments	4,506,090
Housing assistance payments, net	(4,522,053)
Interest Income	<u>444</u>
Non-operating income	<u>(15,519)</u>
Income/loss before contributions and transfers	(90,239)
Transfer in - Community Development Agency	<u>74,720</u>
Changes in net position	(15,519)
Net position - beginning	<u>511,275</u>
Net position - ending	\$ <u>495,756</u>

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

**COMMUNITY DEVELOPMENT AGENCY  
HOUSING CHOICE VOUCHER PROGRAM  
STATEMENT OF CASH FLOWS  
THE YEAR ENDED DECEMBER 31, 2011**

**Cash flows from operating activities:**

Administrative fees	\$ 330,730
Payments to suppliers for goods and services	(50,322)
Salaries and benefits	<u>(286,074)</u>
Net cash provided by operating activities	(5,666)

**Cash flows from investing activities:**

Interest Income	<u>444</u>
Net cash provided by investment activities	444

**Cash flows from non-capital financing activities:**

Housing and Urban Development	4,510,462
Payments for housing assistance	<u>(4,526,203)</u>
Net cash used for non-capital financing activities	(15,741)

**Cash flows from capital and related financing**

Purchased equipment	<u>(1,116)</u>
Net cash used for capital and related financing activities	<u>(1,116)</u>

Change in cash and cash equivalents	(22,079)
Cash and cash equivalents, January 1, 2011	<u>456,884</u>
Cash and cash equivalents, December 31, 2011	<u><u>\$ 434,805</u></u>

**Reconciliation of operating income to net cash produced by operating activities**

Operating gain	\$ (74,720)
Adjustments to reconcile change in net position to net cash provided by operating activities:	
Depreciation expense	1,548
Changes in operating assets and liabilities:	
OPEB liability	65,984
Accounts payable	5
Compensated absences	<u>1,517</u>
Net Cash (used) provided by operating activities	<u><u>\$ (5,666)</u></u>

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

**BASIC FINANCIAL STATEMENTS:**  
**NOTES TO FINANCIAL STATEMENTS**



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

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

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

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

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

**FINANCIAL REPORTING ENTITY**

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

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

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

government that appoints a voting majority of an organization’s officials and is obligated in some manner for the debt of that organization, is financially accountable for that organization. Based on this criterion, the CDA is considered a discretely presented component unit of the City of Glen Cove and is included in their basic financial statements.

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

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

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

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

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

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

## **BASIC FINANCIAL STATEMENTS**

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

The government-wide financial statements focus more on the sustainability of the Agency as an entity and the change in aggregate and net financial position resulting from the activities of the fiscal period. The effect of inter-fund activity has been removed from the government-wide financial statements. No inter-fund services were provided and used.

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

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

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



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

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

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants and charges for providing services. The program revenues must be directly associated with the functional (home and community, culture and recreation and housing assistance) activity. The operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. The Agency did not have capital specific grants in the fiscal year ended December 31, 2011.

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

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

The governmental fund financial statements are presented on a current financial resource

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

#### **MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

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

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

judgments, and compensated absences, which are recognized as expenditures when payment is due.

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

The Agency reports the following major governmental fund:

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

The Agency reports the following proprietary fund:

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

incurred. The enterprise fund's unbilled receivables are recognized as revenues at year-end.

In accordance with the Statement of the Governmental Accounting Standards Board (GASB) No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," the CDA applies all applicable interpretations issued on or before November 30, 1989 that do not conflict with GASB pronouncements. After November 30, 1989, the CDA exclusively applies all applicable GASB pronouncements.

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

## **BUDGETS AND BUDGETARY ACCOUNTING**

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

### **Annual Budgets**

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

The budgets are amended during the year as additional planning information becomes

available. The Executive Director with the approval of the Board of Directors is authorized to amend the budget allocations and total appropriations. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

## **Program Budgets**

### *The Community Development Block Grant Program Budget*

The CDA receives annual funding from a Community Development Block Grant Program (“CDBG”) of the United States Department of Housing and Urban Development (“HUD”) via the Nassau County Office of Housing and Intergovernmental Affairs.

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

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

Upon receipt of the application, the CDA will then hold a meeting of the Board of Directors to authorize the Executive Director to apply for the grant. After authorization, the City Council will call a Public Hearing regarding

the grant. Notice of Public Hearing is published and a public hearing is held by the City Council to provide citizens with an opportunity to propose the inclusion of activities in the program year. The Public Agencies applications are reviewed by the CDA Board.

After approval of the Council, the grant application is sent to the OCD. The OCD reviews and recommends changes to the CDA’s request of funds and sends the awarded contract back to the CDA for the Mayor’s signature. After the Mayor signs the contract it is sent back to OCD for approval. OCD will send the approval and an environmental clearance to the CDA at which point the CDA has the right to draw down the funds.

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

### *Section 8 Housing Choice Voucher Program Budget*

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

HUD’s commitment to make payments for each funding increment in the Section 8 Program constitutes a separate ACC. However, commitments for all the funding increments in the Section 8 assistance program are listed in one consolidated contractual document called the consolidated

Annual Contributions Contract (consolidated ACC). A single consolidated ACC covers funding for the whole assistance program.

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

For each funding increment, the ACC specifies the term over which HUD will make payments for the Section 8, and the amount of available budget Section 8 for each funding increment. The amount to be paid to the Section 8 during each fiscal year (including payment from the ACC reserve account) must be approved by HUD.

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

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

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

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

### **Deposits and Investments**

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

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

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

### **Receivables and Payables**

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

### **Other Assets**

Other assets held are recorded and accounted for at cost.

### **Prepaid Items**

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

### **Capital Assets**

Capital assets, including property, plant, equipment, and infrastructure assets (i.e., roads, sidewalks and similar items), are reported in the applicable governmental activities or business type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Assets contributed (donated) to those funds are recorded by reference to historical costs of the donor if recently purchased or constructed, or if such records are not available, at estimated fair market value on the date of receipt.

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

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

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

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

Depreciation of all exhaustible fixed assets used by the Agency is charged as an expense against its operations. Accumulated depreciation is reported on the balance sheet. 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.

### **Long-term Obligations**

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

### **Compensated Absences**

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

The employees of the CDA are entitled for 100% compensation for a maximum of 250 accumulated sick days upon retirement and 75% compensation will be paid to those employees with less than 10 years of service.



The cost of compensated absences is accrued, when incurred, in the government-wide financial statements. A liability for the current amount of compensated absences is recorded as a current liability at December 31 in the Governmental and Proprietary Funds.

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

### **Other Post Retirement Benefits (OPEB)**

In addition to providing pension benefits, the Agency provides health insurance coverage and survivor benefits for employees and 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. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year.

Prior to the issuance of the Government Accounting Standards Board Statement 45 (GASB 45), the Agency followed a "pay-as-you-go" accounting approach in which the cost of benefits 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

### **Risk Management**

The Agency is potentially exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; general liability; workers' compensation and unemployment claims. The CDA is covered for general liability and worker's compensation claims under the City of Glen Cove Self-Insurance Fund (CIF). The Agency had no outstanding claims or judgments against it during the fiscal year.

### **Deferred Revenues**

Revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual (i.e. when they become both measurable and available to finance expenditures of the fiscal period.) "Available" means collectible within the current period (year ended December 31, 2011) or within 60 days after year end

(January or February of 2012) and usable to pay liabilities of the current period.

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

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

### **Pension Plans and Post-Retirement Benefits.**

The CDA has adopted the Governmental Accounting Standards Board Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. This statement establishes standards for the measurement, recognition, and display of pension expenses and related assets, liabilities, note disclosures, and supplementary information. Pension cost is required to be measured and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expense on the modified accrual basis of accounting. Annual pension cost should be equal to the annual required contributions to the pension plan, calculated in accordance with certain parameters. This change in accounting had no effect on the financial statements.

### **Inter-fund and Intra-entity Loans and Transfers**

From time to time, the CDA transfers funds to Section 8 to cover Section 8's administrative expenses in excess of HUD provided administrative fees. As of December 31, 2011, the CDA owed Section 8 Program \$339,175. The major portion of the amounts owed was for the OPEB expense compensated absences and payroll expenses. This account zeros out in consolidation.

Any amounts due to or due from the primary government from or other component unit are shown as receivables from and payables to external parties in the government-wide Statement of Net position. The amounts due from The Industrial Development Agency (IDA) and payable to the City are expected to be settled upon the sale of the Waterfront property by the IDA. The Agency estimates that the sale of the property would require time and accordingly the amounts of \$14,592,152, due from the IDA, and \$136,797, due from the City, were determined to represent long-term receivables and not available for current expenditures and were credited to deferred revenues, in the Agency's Fund Balance Sheet. Also, in the Agency's Fund Balance Sheet, the amount of \$3,343,032 due to the City of Glen Cove is a general long-term liability and was recorded as other financing sources when the funds were borrowed.

In the Statement of Net position the reimbursements receivable from the City or the IDA are presented as loans from the Agency to primary government or the IDA. The resulting transactions have no effect on the revenues and expenditures of the Agency. Upon receipt of the reimbursement from the City or the IDA, the Agency increases its cash and reduces its receivable account.

### **Operating and Non-operating Revenues and Expenses**

Program revenues for the general fund and for the Section 8 Program, operating revenues generally result from providing goods and services to individuals or entities separate from the Agency. The operating transactions are those other than capital and related financing activities, noncapital financing activities, investing activities and non-exchange revenues. Operating revenues of the Agency includes administrative fees received from HUD.



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

### **Accounting Pronouncements**

In June 2011 GASB 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 balance sheet 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, carrying values of cash and cash equivalents was \$472,761. The amount on deposit was \$522,538.

*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) up to \$250,000 or collateralized with securities pledged in third party custodial accounts of the pledging financial institutions in the CDA’s name.

The collateral amounts are as required by the Agency’s custodial bank agreement at 102% Obligations that may be pledged as collateral are obligations of the United States and its

agencies and obligations of the State and its municipalities and school districts. Periodically, the Agency determined that the collateral or underlying securities have an adequate market value and have been segregated.

**NOTE 3. ACCOUNTS RECEIVABLE**

For the year ended December 31, 2011, the current accounts receivable of the CDA and Section 8 Program aggregated \$124,159, which was composed of \$75,274 receivable from the County of Nassau, primarily for reimbursement of payroll and professional expenses, \$7,748 receivable from the City of Glen Cove and \$41,137 from recipients of Section 8 housing assistance payments whose income status necessitated repayment of the assistance that they had received. These receivables are deemed as current and will be collected within one year.

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

At December 31, 2011, the CDA owed the City \$3,343,032 and had accounts receivable of \$136,797 from the City for legal expenses the CDA paid on the City’s behalf for an aggregate owed to the City of \$3,206,235. The amount due to the city increased expenses by \$20,162. The following is a breakdown of the amounts owed to the City:

	<u>Amount</u>
Balance payable - Glen Cove	
Roadway purchase	\$637,200
City EFC loan to pay CDA Section 108 loan	1,255,000
Rent and utilities	499,413
Section 108-interest advance	371,268
Accrued interest at 0.727% on outstanding cumulative balances	580,151
Total due City at December 31, 2011	<u>\$3,343,032</u>

For the year ended December 31, 2011, the amounts due from the IDA increased by \$1,562,527 to an aggregate owed to the CDA of \$14,592,527. The increase in amounts receivable from the IDA represent reimbursable expenses of \$63,301 for payroll and benefits and \$360,628 of contractual expenses, which were incurred in relation to the waterfront development. The Agency reclassified \$1,000,624 of receivable and deferred revenues from the Developer for the Waterfront expenditures as expenditure benefitting and receivable as deferred revenue from the IDA.

	<u>Amount</u>
Balance receivable - contractual expenses	\$ 5,696,616
Balance receivable - payroll benefits	881,790
EFC Loan	1,255,000
Section 108 Loan	6,758,746
Total due from IDA, December 31, 2011	<u>\$ 14,592,152</u>

**NOTE 5. CAPITAL ASSETS**

Under the current accounting policy, the capital assets include the land and improvements, buildings and improvements and construction-in-progress. The CDA and Section 8 reported an aggregate of \$1,948,587 in fixed assets, net of depreciation, at December 31, 2011

On October 6, 2004, the CDA purchased lots and parcels from the City of Glen Cove for the Glen Cove Roadway Extension Project for the sum of \$1,937,200. The CDA used program income of \$1,300,000 from the sale of

	Balance		Balance	
	12/31/2010	Additions	Deletions	12/31/2011
<b>Governmental Activities:</b>				
Non-depreciable assets:				
Roadway	\$ 1,937,200	--	--	\$ 1,937,200
Total non-depreciable assets	1,937,200	--	--	1,937,200
Depreciable assets: Equipment				
	7,181	5,976	--	13,157
Total capital assets	1,944,381	5,976	--	1,950,357
Less accumulated depreciation for: equipment	( 5,157)	( 1,268)	--	( 6,425)
Total governmental activities capital assets, net	1,939,224	4,708	--	1,943,932
<b>Business-Type Activities:</b>				
Depreciable assets: Equipment	30,535	1,116	--	31,651
Less accumulated depreciation for: Equipment	( 25,448)	( 1,548)	--	( 26,996)
Capital assets, net	5,087	(432)	--	4,655
Total capital assets, net	\$ 1,944,311	\$ 4,276	\$ --	\$ 1,948,587

Property to Avalon Bay to pay for the lots and parcels and currently owes the City a balance of \$637,200 at December 31, 2011. The net position invested in capital assets were \$1,306,731 and \$1,302,023, on December 31, 2011 and 2010, respectively.

The CDA and Section 8 purchased computer equipment for \$5,976 and \$1,116, respectively, in the year ended December 31, 2011. Under the governmental activities, the depreciation expense of \$1,268 was charged to Home and Community Function. The changes in capital assets during the year ended December 31, 2011 are presented above.

#### **NOTE 6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

For the year ended December 31, 2011, the CDA and Section 8 Program reported the following accounts payable and accrued expenses as shown in the table below.

	Governmental Activities	Business-type Activities	Total
Contractual expenses payable	135,009	225	\$135,324
Payroll	8,056	--	8,056
Accrued interest	13,004	--	13,004
Total	\$156,159	\$225	\$156,384

#### **NOTE 7. LONG TERM DEBT**

The table in the next page is a summary of changes in long-term liabilities reported in the government-wide financial statements of net position for the year ended December 31, 2011.

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

The agreements included the following provisions:

- The County and the United States Department of Housing and Urban Development (“HUD”) agreed to make the Section 108 loan to the CDA based on guarantees from the CDA and the IDA regarding the repayment of the loan and indemnification for all hazardous material.
- The CDA agreed to sign a \$6,000,000 note (“the Note”) payable to the County and advance the loan proceeds to the IDA for the acquisition and improvement of the waterfront properties. The Note is secured by a mortgage on the properties being developed. Interest rate for each advance will be set on the date of such advance and will be equal to 0.2% above the three-month London Interbank Offered Rate (LIBOR). Interest will be paid quarterly and the maturity date of the loan is August 1, 2004. This loan has currently been extended to July 31, 2013. For the years ended December 31, 2011 and 2010, the CDA paid \$25,277 and \$20,619 in interest for the Section 108 loan, respectively.
- The IDA agreed to use the program income that will be obtained from the sale of properties to repay the Section 108 loan. The CDA, the City of Glen Cove and both the Section 108 and EFC loans will be repaid upon the sale of the waterfront properties.

Under the agreements, the City of Glen Cove loan to the CDA of \$3,206,235, net of receivable, will be paid upon sale of waterfront property.

In December 2003, the City of Glen Cove obtained a loan from the State of New York Environmental Facilities Corporation (“EFC”) for the CDA to pay down the Section 108 loan at a reduced interest rate. The CDA paid the

amount of \$1,255,000 reducing the Section 108 loan to \$4,745,000. The amount of \$1,255,000 is included in the amount due to the City of Glen Cove, on the CDA’s balance sheet.

On October 13, 2009, the City, the CDA, the IDA and the County of Nassau executed an agreement for the Agency to borrow \$2,350,000 pursuant to Section 108 of Title I of the Housing and Community Development Act of 1974. The \$2,350,000 notes are secured by a mortgage on the properties being developed. 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.

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

The CDA has signed two notes in the amounts of \$850,000 and \$1,500,000 that mature on July 31, 2013; and has borrowed \$1,692,770 as of December 31, 2010 and additional expenses of \$433,552 for an aggregate of \$2,126,322 as of December 31, 2011. Accrued interests on these notes were \$7,602 and \$8,039, for 2011 and 2010, respectively.



	Balance <u>12/31/2010</u>	Reductions	Additions	Balance <u>12/31/2011</u>	Due in <u>One Year</u>
Governmental activities:					
Section 108 Loan	\$ 6,437,770	-	\$ 433,552	\$ 6,871,304	-
OPEB	139,643	-	68,718	208,361	-
Due to City of Glen Cove	3,322,870	-	20,162	3,343,032	-
Retirement note payable	9,928	\$ (1,797)	-	8,131	\$ 1,797
Installment payable			3,296	3,296	1,640
Brownfield Revolving Loan and interest	210,415	-	6,300	216,715	-
Liability for compensated absences	<u>23,823</u>	<u>(12,859)</u>	<u>15,052</u>	<u>26,016</u>	<u>5,203</u>
Total long term debt	10,144,449	(14,656)	547,080	10,676,855	8,640
Business activities:					
OPEB	131,114	-	65,984	197,098	-
Liability for compensated absences	<u>125,177</u>	<u>(25,936)</u>	<u>27,453</u>	<u>126,694</u>	<u>25,339</u>
Total long term debt	<u>256,291</u>	<u>(25,936)</u>	<u>93,437</u>	<u>323,792</u>	<u>25,339</u>
Total combined long term debt	<u>\$10,400,740</u>	<u>\$ (40,592)</u>	<u>\$ 640,517</u>	<u>\$ 11,000,647</u>	<u>\$ 33,979</u>

As of December 31, 2011, annual debt service requirements to maturity for the Section 108 loans are as follows:

	Principal <u>First Loan</u>	Principal <u>Second Loan</u>	<u>Interest (1)</u>
2012	--	--	Adjustable
2013	<u>\$4,745,000</u>	<u>\$2,126,322</u>	Adjustable
Total	<u>\$4,745,000</u>	<u>\$2,126,322</u>	

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

On May 25, 2006, the IDA 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, an entry was made to add the Doxey property to the IDA's assets with a corresponding entry to accounts payable. The Agency has taken possession of the property; all phase II testing is complete. The remediation and cleanup are estimated to be completed by the end of 2012.

#### *Brownfield Revolving Loan Fund*

In July 2010, the CDA entered into a loan and grant agreement with Nassau County and the USEPA. Whereby the CDA was awarded \$410,000 and the IDA was awarded \$590,000 for an aggregate of \$1 million (BF-98297603-1). The \$410,000 grant includes \$200,000 of grant and \$210,000 of loan. The loan and interest must be repaid by April 2020 or upon the sale of the Waterfront property. Interest is accrued at 3% annually. Both, the interest and the loan have been classified as long term debt on the balance sheet. The accrued interest for the years ended December 31, 2011 and 2010 were \$6,300 and \$416, respectively.

#### **NOTE 8. NOTE PAYABLE TO New York STATE RETIREMENT SYSTEM**

In 2004, per the 2005 Ch. 260, Laws of 2004 of the State of New York, the CDA elected to amortize the Note ("Pension Note") owed to the NYS Retirement System over a ten-year period. The future principal and interest payments on the note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	1,886	407	2,293
2013	1,981	312	2,293
2014	2,080	213	2,293
2015	2,184	110	2,294
Total	\$8,131	\$1,042	\$9,173

**NOTE 9. PENSION PLANS AND POST RETIREMENT BENEFITS**

**Description of Plan**

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

**Funding Policy.** The Systems are noncontributory except for employees who have less than 10 years of service or membership in the New York State and Local Employees’ Retirement System after July 27, 1976 who contribute 3% of their salary. In addition, members who meet certain eligibility requirement will receive one month’s additional service credit for each

completed year of service up to a maximum of two additional years of service credit. Under the Section 8 of the NYSRSSL, the Comptroller shall annually certify the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. The Agency is required to contribute at an actuarially determined rate. For the current and preceding years the Agency’s actual contributions were equal to 100% of the required contributions as follows:

<u>Year</u>	<u>Amount</u>
2011	\$25,667
2010	23,216
2009	19,931

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

**NOTE 10. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

The City of Glen Cove Community Development Agency’s retiree medical/drug and dental insurance plans are fully insured with 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 were hired before July 1, 1973 or either have reached the age of 55 and have 5 years of qualified employment or have 30 years of qualified employment if



hired after July 1, 1973. The Agency has agreed to pay the full cost of coverage for such retirees as well as the retiree's spouse and unmarried children. Survivors are covered at full cost.

The current premiums include Medical Plan Empire Plan Premiums, Pre-65 Retiree, Plan Prime, Pre-65 Dependent, Medicare Eligible Single, Medicare Eligible Dependent, Medi Prime. Post 65 coverage, Dental Plan, and Group health incorporated premiums. The Agency's annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan and Net OPEB obligation, were as follows:

OPEB OBLIGATION				
	Fiscal Year	Annual	Percentage	Net OPEB
	Ending	OPEB	of Annual	OPEB
		Cost	Contributed	Obligation
Governmental Activities	12/31/2011	\$94,899	27%	\$208,865
Business Activities	12/31/2011	\$89,770	27%	196,594

#### *Actuarial Methods and Assumptions*

The agency conducted an actuarial evaluation as of January 1, 2011. An Actuarial Cost Method, used herein is referred to as the projected unit credit method. It develops an orderly allocation of the actuarial present value of benefit payments over the working lifetime of participants in the plan. The actuarial assumptions included: a funding interest rate of 5.0%; a 2011 Medical trend rate, which reflects cost inflation expected to impact the plan based on the forecast in published papers industry experts (actuaries, health economists, etc.) of 9.5%; an ultimate trend rate, estimated to be reached in 2020, of 5.0%; dental trend rate of 5.0%; and that the remaining amortization period at December 31, 2011 is 27 years. No salary scale assumptions were used because benefits are not dependent on participant compensation. The number of active plan participants is eight (8).

ANNUAL OPEB COST AND NET OPEB OBLIGATION FISCAL YEAR ENDING DECEMBER 31, 2011		
	Governmental Activities	Business Activities
1. Normal Cost	\$55,646	\$52,639
2. Amortization of Unfunded Actuarial		
Accrued Liability	38,797	36,700
3. Interest	<u>2,332</u>	<u>2,206</u>
4. Annual Required Contribution -		
ARC (1+2+3)	96,775	91,544
5. Interest on net OPEB Obligation	6,957	6,581
6. Adjustment to ARC	<u>(8,833)</u>	<u>(8,356)</u>
7. Annual OPEB Cost (Expense)	94,899	89,770
8. Less contributions made	<u>(25,677)</u>	<u>(24,289)</u>
9. Increase in net OPEB Obligation	69,222	65,480
10. Net OPEB Obligation-beginning of year	<u>139,643</u>	<u>131,114</u>
11. Net OPEB Obligation - end of year	<u>\$208,865</u>	<u>\$196,594</u>

Actuarial calculations of the OPEB plan reflect a long-term perspective. Actuarial valuations for OPEB plans involve estimates of value of reported amounts and assumptions about probability of events far into the future, and actuarially determined amounts are subject to continual revision as result are compared to past expectations and new estimates are made about future. The amortization of unfunded liabilities as a level dollar amount over 30 years was selected to comply with GASB 45 requirements for a Closed Group. A separate, audited GAAP basis postemployment benefit plan is not available for the OPEB plan.

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

FUNDING STATUS AND FUNDING PROGRESS							
	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial 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)
Governmental Activities	01/01/2011	\$-0-	\$626,219	\$(626,219)	0%	\$197,366	317%
Business Activity	01/01/2011	\$-0-	592,369	(592,369)	0%	180,387	317%

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

	2011	2010	2009
Annual OPEB Cost	\$184,669	\$176,128	\$100,815
Percent contributed	27%	26%	40%
Net OPEB obligation	\$405,459	\$270,757	\$139,645

#### NOTE 11. FEDERAL GRANTS AND CONCENTRATION OF RISK

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

#### NOTE 12. LAND HELD FOR SALE AND RELATED AGREEMENTS

##### Settlement Agreement with the City of Glen Cove

In 1999, the United States Environmental Protection Agency (U.S. EPA) informed the City about its potential responsibility for the cost of remediation 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. U.S. EPA's examination of environmental contamination indicated that waste materials from tungsten processing and other operations had been deposited on certain parcels while the City owned them.

According to the U.S. EPA regulations and as reflected in the agreements between the City, the CDA, and the IDA, the City is responsible for the payment of the remediation costs. In 2000, U.S. EPA responded favorably to the City's settlement proposal. The City had estimated its share of the liability for remediation to be approximately \$5 million. The initial remediation costs were financed by a loan from the Environmental Facilities Corporation (a New York State Agency.) In 2001, the City borrowed \$3,000,000 from the Environmental Facilities Corporation and paid the liability to the U.S. EPA. In 2003, the City arrived at an agreement with U.S. EPA regarding limiting its maximum liability in cash to \$5 million, pending court approval, which was obtained in 2005. The City has obtained the required additional \$2 million funding through the Environmental Facilities Corporation revolving loan program. This loan program has made money available to the City at no interest on short-term basis, and at very low interest rates thereafter.

##### Agreement Regarding Sales Proceeds

On March 30, 1999, the Glen Cove Industrial Development Agency and the United States Environmental Protection Agency - Region 2 entered into an agreement regarding LI

Tungsten Superfund and Captain's Cove sites. The Glen Cove Industrial Development Agency acquired these sites for commercial waterfront development.

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

Under the contract, IDA agreed:

- To expend in excess of \$9 million for economic revitalization of the sites and surrounding area.
- In exchange for the US covenant not to sue, the IDA paid the EPA \$ 100,000.
- Upon disposal of the sites, through sales or lease, the IDA will pay the following amounts to the EPA:
  - 50% of any amount of sales proceeds received in excess of \$9 million, up to \$12.2 million.
  - 40% of any amount received in excess of \$12.2 million, up to \$14.2 million, plus \$1.6 million.
  - 25% of the sales proceeds over \$14.2 plus \$2.4 million.
  - Not to sell the sites for less than \$13.0 million.
  - Not to reduce the sales proceeds to account for any costs including remediation, brokerage, negotiating, redevelopment, and closing costs.

### **Sale of Waterfront Properties for Redevelopment**

On May 14, 2003, the Industrial Development and Community Development Agencies ("the Agencies") entered into a sales agreement with Glen Isle Development Company, LLC ("Glen Isle"), with offices at 9 Gerhard Road, Plainview, New York 11803, regarding the parcels of land on Glen Cove's waterfront, located at Garvies Point Road, Herbhill Road, and Dickson Street for the purpose of redevelopment. The purchase included the

Captain's Cove State Inactive Hazardous Waste Site and the LI Tungsten Federal Superfund Site.

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

The redeveloper's plan includes 860 residential units; a 250 suite luxury hotel including banquet and meeting facilities, a luxury spa and restaurant; 50,000 sq. ft. of office space; 25,000 sq. ft. of retail space and restaurants; 85 new boat slips; trolleys servicing nearby bus and rail stations; and nearly 20 acres of accessible public open space along the waterfront and adjacent to the Garvies Point Preserve. In October 2009 the Planning Board approved the Draft Environmental impact statement ("DEIS"). The Final Environmental Impact Statement, ("FEIS") was approved by the Planning Board on December 19, 2011. The FEIS can be viewed in its entirety on the Glen Cove IDA's website, [www.glencoveida.org](http://www.glencoveida.org), under Waterfront Plan.

The City is responsible for the construction of the road improvement project outside the property that conforms to customary design criteria for four-lane public thoroughfare. The City has applied for various grants to fund the offsite infrastructure costs.

Subject to various terms and covenants, the sales price to the developer was projected at \$20.5 million dollars. The actual sales price is subject to appraisal. In April 2005, the contract was amended to increase the minimum purchase price from \$12.5 to \$25 million and the maximum of \$26 to \$32.5 million. If the appraised price is above the maximum, Glen Isle may either accept or cancel the agreement.

### Agreement with the City, IDA and CDA

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

The Community Development Agency entered an agreement on December 9, 2003, with the City and transferred certain lots, owned by the City and located on the Glen Cove Waterfront project site to the CDA. The lots are required to accommodate the construction of a roadway that is necessary for the Waterfront Revitalization Project. The appraised sale price of the lots was \$1,937,200. The CDA has paid the City \$1,300,000 and owes a balance of \$637,200 at December 31, 2011.

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

### NOTE 13. OCCUPANCY COSTS

To economize the CDA costs and facilitate communication between the City and CDA, the management of the CDA and the City agreed to relocate the CDA offices to the City headquarters at 9 Glen Street, Glen Cove. The City provided all the required space and utilities for the CDA. The City has reduced the amount that it charges for rent and interest for 2011 due to the current economic conditions. The new amount invoiced to the CDA and IDA is \$9,120 annually, allocated \$6,080 to the CDA and Section 8 and \$3,040 to the IDA. For the year ended December 31, 2011 and all previous years, the CDA owed \$6,080 and \$493,333, respectively.

### NOTE 14. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The Agency's General Fund makes periodic transfers to the Section 8 Program to cover its additional OPEB and Compensated Absence expenses. The amount transferred in 2011 and 2010 were \$74,720 and \$43,402. The amount of \$339,175, receivable by the Section 8 and payable by the General Fund, are due to these transfers.

### NOTE 15. DEFERRED REVENUES

As of December 31, 2011, the deferred revenues that represent non-current receivables were as follows:

The Industrial Development Agency	14,592,152
The City	<u>136,796</u>
Total	<u>\$14,728,948</u>

### NOTE 16. SUBSEQUENT EVENTS

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%.

## OTHER SUPPLEMENTARY INFORMATION

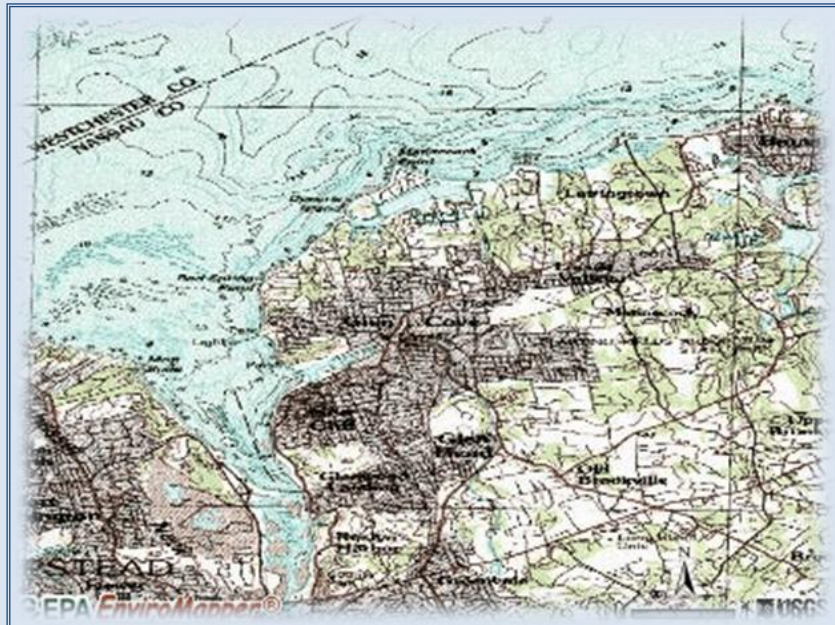


**GLEN COVE COMMUNITY DEVELOPMENT AGENCY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2011**

	<u>Adopted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
CDBG Grant	\$ 732,171	\$ 425,287	\$ 425,287	-
Interest	1,545	2	2	-
Other grants	-	14,900	14,900	-
Total revenues	<u>733,716</u>	<u>440,189</u>	<u>440,189</u>	
<b>Expenditures</b>				
<b>Current</b>				
Waterfront and other development	475,080	734,993	734,993	-
Culture and Recreation-Public Service	84,254	50,000	50,000	-
Salaries and benefits	90,033	87,399	87,399	-
Audit services	7,450	7,450	7,450	-
Administrative expense	31,008	79,520	79,520	-
Interest expense-due to City	87,795	14,082	14,082	-
Total current expenditures	<u>775,620</u>	<u>974,444</u>	<u>974,444</u>	
<b>Capital Outlay</b>		1,060	1,060	
<b>Debt service:</b>				
Principal	1,730	1797	1797	-
Interest	-	496	496	-
Total expenditures	<u>777,350</u>	<u>976,797</u>	<u>976,797</u>	-
Excess (deficiency) of revenues over expenditures	-43,633	(536,609)	(536,609)	-
<b>Other Sources and uses</b>				
Proceeds of Section 108 Loan		433,552	433,552	-
Loan from the City	139,331	26,243	26,243	-
Transfer to IDA/Section 8	-90,960	(74,720)	(74,720)	-
Total other sources (Uses)	<u>42,371</u>	<u>385,075</u>	<u>385,075</u>	-
Net change in fund balance	-	(151,533)	(151,533)	
Fund balance - beginning	<u>1,239,311</u>	<u>1,239,311</u>	<u>1,239,311</u>	-
Fund balance -ending	<u>\$ 1,239,311</u>	<u>\$ 1,087,778</u>	<u>\$ 1,087,778</u>	-



# COMPLIANCE SECTION





**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 V. Suozzi  
The Board of Directors  
Glen Cove Community Development Agency  
Glen Cove, New York

We have audited the basic financial statements of the Glen Cove Community Development Agency (the Agency), a discrete component unit of the City of Glen Cove, as of and for the year ended December 31, 2011 and have issued our report thereon dated March 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**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 an 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 Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency'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 management, the Board of Directors, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

TABRIZCHI & Co., CPA, P.C.

March 30, 2012  
Garden City, NY

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

Honorable Mayor Ralph V. Suozzi  
and the Board of Directors  
Glen Cove Community Development Agency  
Glen Cove, New York

**Compliance**

We have audited the compliance of the Glen Cove Community Development Agency, a discrete component unit of the City of Glen Cove, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2011. The Glen Cove Community Development Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Glen Cove Community Development Agency's management. Our responsibility is to express an opinion on the Glen Cove Community Development Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Glen Cove Community Development Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Glen Cove Community Development Agency's compliance with those requirements.

In our opinion, the Glen Cove Community Development Agency complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2011.

**Internal Control over Compliance**

The management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Agency's

internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

TABRIZCHI & Co., CPA, P.C.

March 30, 2012  
Garden City, NY

**GLEN COVE COMMUNITY DEVELOPMENT AGENCY  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
YEAR ENDED DECEMBER 31, 2011**

<u>Agency and Program Grant Title</u>	<u>Federal CFDA Number</u>	<u>Nassau County Consortium Number</u>	<u>Federal Expenditures</u>
<b>Department of Housing and Urban Development</b>			
Section 8 Housing Choice Voucher Program	14.871	N/A	\$ 4,852,783
<b>Passed through Nassau County Consortium</b>			
Community Development:			
Block Grant/Entitlement Grants	14.218	CQHI10000045	425,287
Block Grant/ Section 108 Loan Guarantee	14,248	CQHI0800021	416,368
<b>US Environmental Protection Agency</b>			
<b>Passed through Nassau County Consortium</b>			
Brownfields Pilots Cooperative Agreements	66.811	BF-97285604	<u>5,515</u>
Total Federal Financial Assistance			<u><u>\$ 5,699,953</u></u>

See accompanying notes to schedule of expenditures of federal awards.

**THE GLEN COVE COMMUNITY DEVELOPMENT AGENCY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2011**

**NOTE 1: PURPOSE OF THE SCHEDULE**

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

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

- A. Reporting Entity** - The accompanying schedule includes all federal financial assistance programs administered by Glen Cove Community Development Agency for the fiscal year ended December 31, 2011.
- B. Basis of Presentation** - The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133.
- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133, federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.
  - 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and OMB Circular A- 133 establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Glen Cove Community Development Agency are those which equal or exceeded \$300,000 in expenditures / disbursements / issuances for the fiscal year ended December 31, 2011. Type B programs for the Agency are those which are less than \$300,000 in expenditures / disbursements / issuances for the fiscal year ended December 31, 2011.
- C. Basis of Accounting** - The information presented in the Schedule of Expenditures of Federal Awards ("the Schedule") is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organizations.



**GLEN COVE COMMUNITY DEVELOPMENT AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2011**

**I. Summary of Auditors' Results**

**A. Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

**B. Federal Awards**

Internal control over major programs:

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

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

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

Identification of Major Programs:

<b>Name of Federal Program</b>	<b>CFDA number</b>
▪ Section 8 Rental Voucher Program	14.871
▪ Block Grant/Entitlement Grants	14.218
▪ Section 108 Loan Guarantee	14.248
▪ Brownfields Pilots Cooperative Agreements	66.811

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

Auditee qualified as low-risk auditee under Section 530

- of OMB Circular A-133: x Yes     \_\_\_ No

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

**A. Internal Control**

None reported

**B. Compliance Findings**

None reported

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

**A. Internal Control**

None reported

**B. Compliance Findings**

None reported

**GLEN COVE COMMUNITY DEVELOPMENT AGENCY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2010**

The audit report for the year ended December 31, 2010, contained no findings or questioned costs.