

Town of Islip Community Development Agency
(A Component Unit of the Town of Islip, New York)

Financial Statements

June 30, 2016

Town of Islip Community Development Agency

(A Component Unit of the Town of Islip, New York)

Financial Statements

June 30, 2016

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Independent Auditor's Report

Board of Directors
Town of Islip Community Development Agency
Bay Shore, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Islip Community Development Agency (the Agency), a component unit of Town of Islip, New York, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Islip Community Development Agency, a component unit of Town of Islip, New York, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Restatements

As discussed in Note 1, the Agency has restated its financial statements as of July 1, 2015, to record amounts required under Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (GASB 71). Additionally as discussed in Note 1, the financial statements of the Agency were restated to account for certain uncollectible mortgage receivables and for valuation of property held for sale to net realizable value. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress - other postemployment benefits, schedule of proportionate share of net pension liability, and schedule of pension contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The combining schedules are presented for purposes of additional analysis rather than to present the financial position and changes in financial position of the individual funds and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2017, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

BST & CO. CPAs, LLP

Albany, New York
March 13, 2017



Town of Islip Community Development Agency

(A Component Unit of the Town of Islip, New York)

Management's Discussion and Analysis June 30, 2016

Introduction

As management of the Town of Islip Community Development Agency (the Agency), we offer readers of the Agency's basic financial statements this narrative analysis of the Agency's financial performance and an overview of the Agency's financial activities for the fiscal year ended June 30, 2016.

This discussion and analysis includes comparative data for the fiscal years ended June 30, 2016 and 2015. We encourage readers to consider the information presented here in conjunction with additional information obtainable from the Agency's basic financial statements.

Overview of the Town of Islip Community Development Agency

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

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

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

Financial Highlights

- The Agency acquired one property at a cost of \$213,913. This property will be rehabilitated and resold as affordable housing. Total additions capitalized to property held for sale was \$1,245,086.
- The Agency sold nine properties for a total sales price of \$2,057,000.
- The Agency issued \$2,149,036 in new rehabilitation loans and mortgages, of which \$320,000 were considered soft subsidized mortgages to be forgiven if the borrower resides in their home for a minimum of ten years.
- The Agency's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$29,504,492 (net position). Of this amount, \$1,279,386 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The Agency's net position decreased by \$595,051 (2.0%) from \$30,099,543 on June 30, 2015 to \$29,504,492, on June 30, 2016. This decrease is primarily attributed to the use of program income to fund CDBG and HOME related activities
- At the close of the current fiscal year, the Agency's governmental funds reported combined fund balances of \$9,163,879, a decrease of \$1,099,546 (10.7%) in comparison with the prior year. Approximately 8.4%, or \$769,720, of this amount is available for spending at the government's discretion (unassigned fund balance).

Town of Islip Community Development Agency

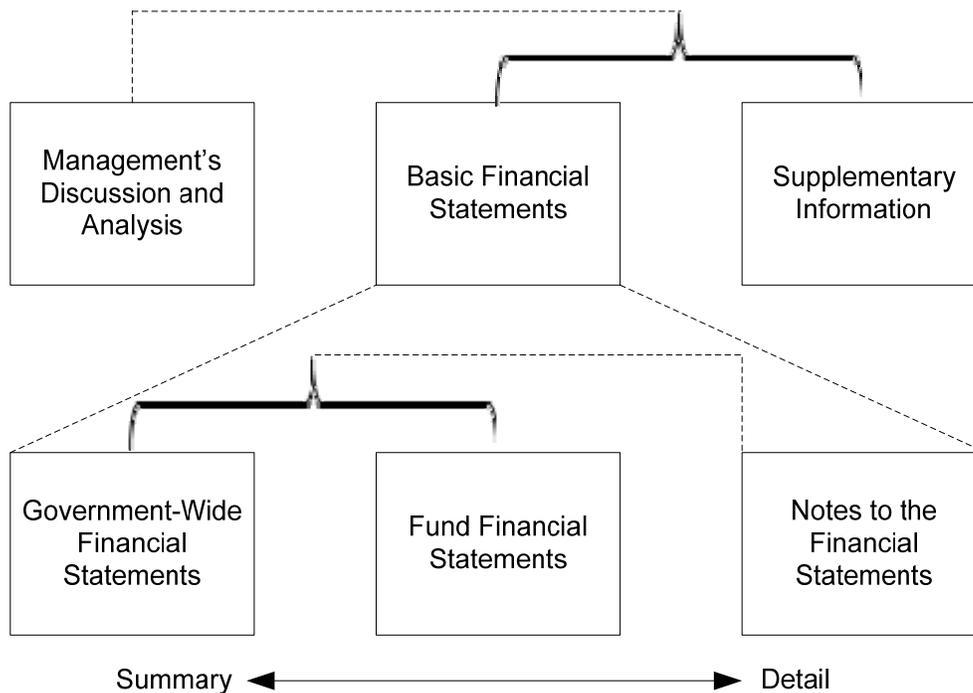
(A Component Unit of the Town of Islip, New York)

Management's Discussion and Analysis June 30, 2016

Overview of the Basic Financial Statements

This discussion and analysis serves as an introduction to the Agency's basic financial statements. The Agency's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Components of the Annual Financial Report



Government-wide Financial Statements

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

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

Both of the government-wide financial statements comprehend all the functions of the Agency which are principally supported by intergovernmental revenues (governmental activities). The governmental activities of the Agency include residential and commercial rehabilitation, public service, public facilities improvement, code enforcement and general administration. The government-wide financial statements are presented on pages 12 and 13.

Town of Islip Community Development Agency

(A Component Unit of the Town of Islip, New York)

Management's Discussion and Analysis

June 30, 2016

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

During the year ended June 30, 2016, the Agency maintained six individual governmental funds: the General Fund, Community Development Block Grant Fund (CDBG), Home Investment Partnership Program Fund (HOME), Housing Opportunities for Persons with AIDS Fund (HOPWA), Neighborhood Stabilization Fund (NSP), Neighborhood Stabilization 3 Fund (NSP3), and Emergency Solutions Program Funds.

The Agency has classified the General, CDBG, HOME, HOPWA, and NSP Funds as major funds. Information for each fund is presented separately in the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances. The information for the NSP3 and Emergency Solutions Program Funds, the non-major funds, are presented in a separate column in the balance sheet and statement of revenues, expenditures and changes in fund balances.

The fund financial statements are presented on pages 14 to 17 of this report.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 to 38 of this report.

Required Supplementary Information

The Agency has prepared certain supplementary information that is required to accompany the basic financial statements in accordance with U.S. GAAP. This information includes the schedule of funding progress - other postemployment benefits, schedule of proportionate share of net pension liability, and the schedule of pension contributions (pages 39 to 41).

Town of Islip Community Development Agency

(A Component Unit of the Town of Islip, New York)

Management's Discussion and Analysis June 30, 2016

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents combining schedules for the Community Development Block Grant sub funds and combining schedules for non-major funds as supplementary Information (pages 42 to 45).

Government-Wide Financial Analysis

Summary of Net Position

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$31,249,897, at the close of the most recent fiscal year.

	June 30,			
	2016	Restated 2015	\$ Change	% Change
Current assets	\$ 10,776,253	\$ 14,205,240	\$ (3,428,987)	-24.1%
Non-current assets	21,058,312	18,198,511	2,859,801	15.7%
Total assets	31,834,565	32,403,751	(569,186)	-1.8%
Deferred outflows of resources	343,988	13,216	330,772	2502.8%
Current liabilities	1,016,963	1,181,171	(164,208)	-13.9%
Non-current liabilities	1,614,929	1,134,086	480,843	42.4%
Total liabilities	2,631,892	2,315,257	316,635	13.7%
Deferred inflows of resources	42,169	2,167	40,002	1846.0%
Net position				
Investment in capital assets	1,921,648	2,023,936	(102,288)	-5.1%
Restricted for federal programs	26,303,458	26,822,159	(518,701)	-1.9%
Unrestricted	1,279,386	1,253,448	25,938	2.1%
Total net position	\$ 29,504,492	\$ 30,099,543	\$ (595,051)	-2.0%

The decrease in total assets is primarily related to the reduction in property held for sale of approximately \$1,571,000, offset by a net increase in total mortgages of approximately \$807,000. A total of \$2,149,036 in new mortgages was issued during the period, while reductions (collections) totaled \$1,019,412. Of the new mortgages issued, \$320,000 will be forgiven if the homeowner lives in the property for 10 years. Based on historical experience, the Agency has determined that these mortgages should be fully reserved for as the probability of collection is remote.

The increase in total liabilities is attributed to other postemployment benefits and the agencies proportionate share of the net pension liability. These obligations will be repaid in future periods through contributions to the respective plans.

Town of Islip Community Development Agency

(A Component Unit of the Town of Islip, New York)

Management's Discussion and Analysis June 30, 2016

Government-Wide Financial Analysis - Continued

Summary of Net Position - Continued

Net position decreased approximately \$595,000, or 2.0% compared to the prior year. This decrease includes non-cash transactions of approximately \$315,000, such as depreciation and changes in long-term liabilities. At the end of the current fiscal year, the Agency is able to report positive balances in all reported categories of net position. The same situation held true for the prior fiscal year.

Changes in Net Position

A summary of the changes in net position is presented below:

	Years Ended June 30,			
	2016	2015	\$ Change	% Change
Revenues				
Charges for services	\$ 1,637,453	\$ 2,002,482	\$ (365,029)	-18.2%
Operating grants and contributions	3,106,767	4,341,801	(1,235,034)	-28.4%
Investments earnings	3,182	3,703	(521)	-14.1%
Total revenue	4,747,402	6,347,986	(1,600,584)	-25.2%
Expenses				
Residential rehabilitation	4,435,491	5,305,449	(869,958)	-16.40%
Other programs	245,327	364,678	(119,351)	-32.73%
General and administration	661,635	812,001	(150,366)	-18.52%
Total expenses	5,342,453	6,482,128	(1,139,675)	-17.58%
Decrease in net position	(595,051)	(134,142)	(460,909)	343.6%
NET POSITION, beginning of year, prior to restatement	30,099,543	33,382,950	(3,283,407)	-9.84%
Correction of prior period errors	-	(3,149,265)		
NET POSITION, beginning of year, as restated	30,099,543	30,233,685	(134,142)	-0.44%
NET POSITION, end of year	\$ 29,504,492	\$ 30,099,543	\$ (595,051)	-1.98%

The grant revenues of the Agency are expenditure driven. During the year ended June 30, 2016, the total grant revenues decreased by \$1,235,034 (28.4%), as compared to the previous year. The HOME grant revenue decreased by \$235,701 (30.6%), HOPWA grant revenue by \$440,577 (22.2%) and CDBG grant revenue by \$569,291 (38.25%). This was offset by a minor increase in revenues from the Emergency Shelter Program.

Charges for services are dependent upon the timing of property sales, including gains or losses. During 2016, the Agency recognized less revenue from property held for sale. This decrease was offset by rental income, which increased by \$90,750 (12.9%) from previous year.

Program expenses decreased commensurately amongst the Agency's four major programs. Program expenses will vary from year to year due to the timing of residential rehabilitation projects.

Town of Islip Community Development Agency

(A Component Unit of the Town of Islip, New York)

Management's Discussion and Analysis June 30, 2016

Financial Analysis of the Government's Funds

The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, unrestricted (unassigned and assigned) fund balances may serve as a useful measure of the Agency's net resources available for spending at the end of the year.

On June 30, 2016, the Agency's governmental funds reported combined ending fund balances of \$9,163,879, a decrease of \$1,099,546 (10.7%) from the prior year. The decrease was due to the Agency's use of accumulated program income to finance rehabilitation and other program costs.

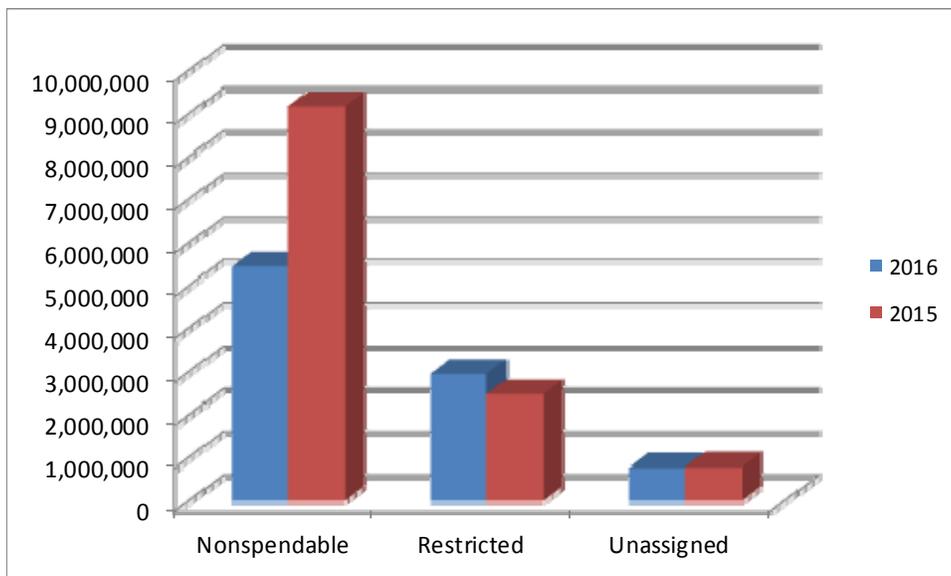
The nonspendable fund balance, which relates to the prepaid expenditures and properties held for sale, was \$5,440,717 on June 30, 2016, as compared to \$7,002,414, on June 30, 2015. The restricted fund balances of the various funds increased by \$479,254 (19.4%) from \$2,474,188, on June 30, 2015, to \$2,953,442, on June 30, 2016.

The Agency's unassigned fund balance decreased by \$16,403 (2.1%) to \$769,720 at June 30, 2016; unassigned fund balance is not subject to Federal restrictions, and therefore, may be used for discretionary expenditures within the Agency's mission.

Of the Agency's total expenditures, \$6,866,361, residential rehabilitation and development expenditures accounted for \$5,700,693 (83.0%), general and administrative expenses accounted for \$850,363 (12.4%) and remaining program expense accounted for \$315,305 (4.6%).

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

Components of Fund Balance (in thousands)



Town of Islip Community Development Agency

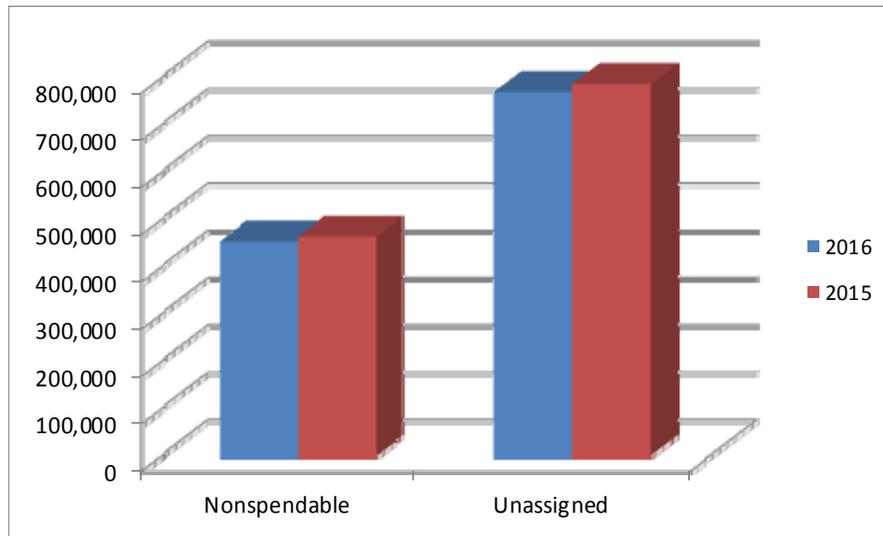
(A Component Unit of the Town of Islip, New York)

Management's Discussion and Analysis June 30, 2016

Financial Analysis of the Government's Funds - Continued

Components of Fund Balance (in thousands) - Continued

At June 30, 2016, the General Fund had a fund balance of \$1,223,481, which represents 13.4% of all governmental fund balances. Of this amount, \$471,907 relates to prepaid items and properties held for sale and are nonspendable. The remaining \$769,720 is unassigned.



The CDBG Fund accounts for the receipt and expenditure of restricted grant proceeds under the U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant program. The CDBG fund has a fund balance at year-end of \$2,483,508, restricted to eligible CDBG expenditures. This is an expenditure driven grant; revenues are only recognized when qualifying grant expenditures are made.

During the current year, the total CDBG Grant revenues and program income were \$2,796,240 and the total expenditures were \$3,611,394. The result was \$815,154 decrease in the fund balance.

The HOME Fund accounts for the receipt and expenditure of the Home Investment and Partnership Funds. The HOME Fund has a balance at year-end of \$1,720,176, all of which is considered non-spendable or restricted to eligible HOME program expenditures. This is an expenditure driven grant; revenues are only recognized when qualifying grant expenditures are made. Fund balance decreased by \$403,850 from the previous year. The decrease was the result of total grant revenues and program income of \$1,010,164 deficient of total expenditure of \$1,414,014.

The HOPWA Fund accounts for the receipt and expenditure of HOPWA program funds to address the specific needs of persons living with HIV/AIDS and their families. The HOPWA Fund has a fund balance at year-end of \$1,547, all of which is considered non-spendable or restricted to eligible HOPWA program expenditures. This is an expenditure driven grant; revenues are only recognized when qualifying grant expenditures are made. The HOPWA Fund revenues were \$1,542,124 and expenditures were \$1,542,512, resulting in a \$388 decrease in the fund balance during the year ended June 30, 2016.

Town of Islip Community Development Agency

(A Component Unit of the Town of Islip, New York)

Management's Discussion and Analysis June 30, 2016

Financial Analysis of the Government's Funds – Continued

Components of Fund Balance (in thousands) - Continued

The Neighborhood Stabilization Fund accounts for the receipt and expenditure of grant funds under Division B, Title III of the Housing and Economic Recovery Act (HERA). These funds are used for the purpose of stabilizing communities that have suffered from foreclosures and abandonment. Through the purchase and redevelopment of foreclosed and abandoned homes and residential properties, the goal of the program is being realized. Neighborhood Stabilization Funds are expenditure driven grant; revenues are only recognized when qualifying grant expenditures are made. The NSP Fund has a fund balance of \$494,818, on June 30, 2016. The fund balance increased by \$240,942 as of and for the year-ended June 30, 2016, due to excess of revenues of \$244,118 over expenditures of \$3,626.

Capital Assets

As of June 30, 2016, the Agency's investment in capital assets amounts to \$1,921,648 (net of accumulated depreciation). This investment in capital assets includes: land buildings, equipment, vehicles, machinery and equipment. During the current year, additions to capital assets totaled \$10,370. Depreciation charges were \$112,658.

Additional information on the Agency's Capital Assets can be found in Note 5 of the Notes to the Financial Statements on page 29. Capital assets as of June 30, 2016 and 2015 were as follows:

	June 30,	
	2016	2015
Land	\$ 625,505	\$ 625,505
Buildings	3,932,426	3,932,426
Land improvements	138,756	128,386
	<u>4,696,687</u>	<u>4,686,317</u>
Less accumulated depreciation	<u>(2,775,039)</u>	<u>(2,662,381)</u>
Total capital assets, net	<u>\$ 1,921,648</u>	<u>\$ 2,023,936</u>

Economic Factors

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

Contacting the Agency's Financial Management

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

Town of Islip Community Development Agency

(A Component Unit of the Town of Islip, New York)

Government-Wide Financial Statements Statement of Net Position

	June 30, 2016
ASSETS	
Cash and cash equivalents	\$ 3,777,243
Escrow cash	338,387
Prepaid expenses	104,505
Due from other governments	504,683
Accounts and mortgages receivable, current	715,223
Property held for sale	5,336,212
Accounts and mortgages receivable, net of current portion	19,136,664
Capital assets	
Non-depreciable	625,505
Depreciable, net	1,296,143
Total assets	<u>31,834,565</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources, pensions	<u>343,988</u>
LIABILITIES	
Accounts payable	518,175
Other liabilities	402,788
Compensated absences due in one year	96,000
Long-term liabilities	
Other postemployment benefits	940,754
Net pension liability	342,050
Compensated absences, due in more than one year	332,125
	<u>2,631,892</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources, pensions	<u>42,169</u>
NET POSITION	
Investment in capital assets	1,921,648
Restricted to federal programs	26,303,458
Unrestricted	<u>1,279,386</u>
Total net position	<u>\$ 29,504,492</u>

See accompanying Notes to Financial Statements.

Town of Islip Community Development Agency

(A Component Unit of the Town of Islip, New York)

Government-Wide Financial Statements Statement of Activities

Year Ended June 30, 2016				
Functions/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Home and community functions				
Residential rehabilitation	\$ 4,435,491	\$ 1,637,453	\$ 2,579,346	\$ (218,692)
Commercial rehabilitation	4,668	-	2,715	(1,953)
Public service programs	143,680	-	83,553	(60,127)
Public facilities improvement	38,624	-	22,461	(16,163)
Code enforcement	58,355	-	33,935	(24,420)
General and administration	661,635	-	384,757	(276,878)
Total home and community functions	\$ 5,342,453	\$ 1,637,453	\$ 3,106,767	(598,233)
			Interest earnings	3,182
			CHANGE IN NET POSITION	(595,051)
			NET POSITION, <i>beginning of year, restated</i>	30,099,543
			NET POSITION, <i>end of year</i>	\$ 29,504,492

See accompanying Notes to Financial Statements.

Town of Islip Community Development Agency

(A Component Unit of the Town of Islip, New York)

Fund Financial Statements Balance Sheet - Governmental Funds

	June 30, 2016						Total Govern- mental Funds
	General Fund	Home Investment Partnership Program	HOPWA Program	Community Development Block Grant	NSP	Other Governmental	
ASSETS							
Cash and cash equivalents	\$ 770,279	\$ 97,303	\$ 102	\$ 2,533,446	\$ 331,898	\$ 44,215	\$ 3,777,243
Escrow cash	154,548	93,306	-	48,387	24,219	17,927	338,387
Due from other governments	-	80,604	213,992	197,173	-	12,914	504,683
Accounts and mortgages receivable	55,905	6,455,097	-	11,138,972	2,051,924	149,989	19,851,887
Property held for sale	453,061	1,169,213	-	2,980,730	162,695	570,513	5,336,212
Prepaid expenditures	700	15,827	1,444	86,188	225	121	104,505
Due from other funds	-	-	-	10	-	-	10
Total assets	\$ 1,434,493	\$ 7,911,350	\$ 215,538	\$ 16,984,906	\$ 2,570,961	\$ 795,679	\$ 29,912,927
LIABILITIES							
Accounts payable	\$ 550	\$ 78,971	\$ 212,265	\$ 186,095	\$ -	\$ 16,483	\$ 494,364
Pension plan payable	9	1,633	1,726	36,027	-	6	39,401
Due to HDFC	-	-	-	25,000	-	-	25,000
Due to other funds	-	-	-	-	-	10	10
Liability for client escrow deposits	154,548	93,306	-	48,387	24,219	17,927	338,387
Total liabilities	155,107	173,910	213,991	295,509	24,219	34,426	897,162
DEFERRED INFLOWS							
Unavailable resources	55,905	6,455,097	-	11,138,971	2,051,924	149,989	19,851,886
FUND BALANCES							
Nonspendable	453,761	1,185,040	1,444	3,066,918	162,920	570,634	5,440,717
Restricted to Community Development	-	97,303	103	2,483,508	331,898	40,630	2,953,442
Unassigned	769,720	-	-	-	-	-	769,720
Total fund balances	1,223,481	1,282,343	1,547	5,550,426	494,818	611,264	9,163,879
Total liabilities, deferred inflows and fund balances	\$ 1,434,493	\$ 7,911,350	\$ 215,538	\$ 16,984,906	\$ 2,570,961	\$ 795,679	\$ 29,912,927

See accompanying Notes to Financial Statements.

Town of Islip Community Development Agency

(A Component Unit of the Town of Islip, New York)

Fund Financial Statements Reconciliation of the Total Fund Balances in the Governmental Funds to the Government-Wide Statement of Net Position

	June 30, 2016
Total Governmental Fund Balances	\$ 9,163,879
<i>Amounts reported for Governmental Activities in the Statement of Net position are different because</i>	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,921,648
Mortgages receivable that are not available to pay the current-period expenditures are deferred inflows in the funds.	19,851,886
Some liabilities (listed below) are not due and payable in the current period and, therefore, are not reported in the funds	
Other postemployment benefits liability	(940,754)
Net pension liability, net of deferred amounts	(64,042)
Compensated absences	(428,125)
Net position of Governmental Activities	<u>\$ 29,504,492</u>

See accompanying Notes to Financial Statements.

Town of Islip Community Development Agency

(A Component Unit of the Town of Islip, New York)

Fund Financial Statements Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

	Year Ended June 30, 2016						
	General Fund	Home Investment Partnership Program	HOPWA Program	Community Development Block Grant	NSP	Other Governmental	Total Govern- mental Funds
REVENUES							
Federal Aid	\$ -	\$ 535,734	\$ 1,542,124	\$ 919,131	\$ -	\$ 109,778	\$ 3,106,767
Departmental income							
Other program income	420	1,433	-	120,046	-	(8)	121,891
Sub-recipient program income	-	-	-	270,000	-	-	270,000
Repayment of mortgages	-	277,496	-	886,602	244,118	63,349	1,471,565
Rental income	-	195,501	-	597,909	-	-	793,410
Use of money and property							
Interest income	630	-	-	2,552	-	-	3,182
Total revenues	1,050	1,010,164	1,542,124	2,796,240	244,118	173,119	5,766,815
EXPENDITURES							
Residential rehabilitation and development	-	1,314,008	1,322,277	2,786,294	939	277,175	5,700,693
Public facilities improvement	-	-	-	6,000	-	-	6,000
Public service programs	-	-	-	184,664	-	-	184,664
Commercial rehabilitation and development	-	-	-	49,641	-	-	49,641
Code enforcement	-	-	-	75,000	-	-	75,000
General and administrative	12,341	100,006	220,235	509,795	2,687	5,299	850,363
Total expenditures	12,341	1,414,014	1,542,512	3,611,394	3,626	282,474	6,866,361
Excess (deficiency) of revenues over (under) expenditures	(11,291)	(403,850)	(388)	(815,154)	240,492	(109,355)	(1,099,546)
FUND BALANCE, beginning of year	1,234,772	1,686,193	1,935	6,365,580	254,326	720,619	10,263,425
FUND BALANCE, end of year	\$ 1,223,481	\$ 1,282,343	\$ 1,547	\$ 5,550,426	\$ 494,818	\$ 611,264	\$ 9,163,879

See accompanying Notes to Financial Statements.

Town of Islip Community Development Agency

(A Component Unit of the Town of Islip, New York)

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities

	Year Ended June 30, 2016
Reconciliation of the change in fund balances - total governmental funds to the change in net position of governmental activities	
Net change in fund balances - total governmental funds	\$ (1,099,546)
<i>Amounts reported for Governmental Activities in the Statement of Activities are different because</i>	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(112,658)
Capital outlays	10,370
For governmental funds, mortgages made that are not expected to be repaid in the near future are offset with deferred inflows whereas mortgages made are considered project, expenditures and mortgages collected are considered current year revenue. However, on the statement of activities only interest earnings are reported as revenue.	
Mortgages made during the year	2,149,036
Uncollectible 10-year recapture mortgages	(320,000)
Mortgages collected during the year	(1,019,413)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Change in other postemployment benefits liability	(169,784)
Change in net pension liability	(10,842)
Change in compensated absences	(22,214)
Change in net position of governmental activities	<u>\$ (595,051)</u>

Town of Islip Community Development Agency

(A Component Unit of the Town of Islip, New York)

Notes to Financial Statements June 30, 2016

Note 1 - Summary of Significant Accounting Policies

The accompanying basic financial statements of the Town of Islip Community Development Agency (Agency), a component unit of the Town of Islip, New York (Town), have been prepared in conformity with generally accepted accounting principles (GAAP) for governments. Such principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America. The basic financial statements have been prepared primarily from accounts maintained by the Agency.

a. Financial Reporting Entity

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

The Agency has been designated by the Town to administer its federally funded programs from the U.S. Department of Housing and Urban Development. These programs include: The Community Development Block Grant Program, the Home Investment Partnership Program, Neighborhood Stabilization Grant Programs, the Emergency Solutions Grant Program, and the Housing Opportunities for Persons with AIDS Program.

b. Basis of Presentation - Government-Wide and Fund Financial Statements

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

While separate government-wide and fund financial statements are presented, they are interrelated as governmental activities incorporate data from the governmental funds. The effect of interfund activity has been eliminated from the government-wide financial statements.

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

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Town of Islip Community Development Agency

(A Component Unit of the Town of Islip, New York)

Notes to Financial Statements June 30, 2016

Note 1 - Summary of Significant Accounting Policies

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

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

The governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

The government reports the following major governmental funds:

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

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

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

Town of Islip Community Development Agency

(A Component Unit of the Town of Islip, New York)

Notes to Financial Statements June 30, 2016

Note 1 - Summary of Significant Accounting Policies

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

Special Revenue Funds - Continued

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

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

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

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

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

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

EIC Fund - The East Islip Congregate Fund (EIC) accounts for the receipts and disbursements of funds related to the 18 housing units located at Harwood Avenue in East Islip, New York. These units are rented to Section 8 Housing Voucher recipients

911 Lowell Avenue Fund - This fund accounts for the receipts and disbursements of funds related to the construction of senior citizen apartments to house 6 senior citizens in their own studio apartments in Central Islip.

Town of Islip Community Development Agency

(A Component Unit of the Town of Islip, New York)

Notes to Financial Statements June 30, 2016

Note 1 - Summary of Significant Accounting Policies - Continued

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

Non-Major Funds:

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

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

d. Budgetary Information

The Agency annually develops and submits its Consolidated Plan to the U.S. Department of Housing and Urban Development. The Consolidated Plan is the Agency's comprehensive planning document and application for funding under the CDBG, HOME, HOPWA, and ESG grants.

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

HUD has approved Consolidated Plan submissions unless the Plan (or a portion of it) is inconsistent with the purposes of the National Affordable Housing Act or is substantially incomplete. Following approval, HUD makes a full grant award.

As required by HUD, the Agency holds Public Hearings before adopting the annual plan. The Agency annual (the Program Year) budget allotment does not expire at year end. The grant contract period is for two years or until the projects included in the budget are completed. The completion of the projects could take several years.

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

The Agency utilizes an encumbrance system as a management control technique to assist in controlling expenditures. All appropriations lapse at the end of the fiscal year. The amount of outstanding encumbrances was not material as of June 30, 2016.

Town of Islip Community Development Agency

(A Component Unit of the Town of Islip, New York)

Notes to Financial Statements June 30, 2016

Note 1 - Summary of Significant Accounting Policies - Continued

e. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with original maturities of three months or less from the date acquired by the Agency.

The Agency reports all investments at fair value. The Agency follows State statutes, which require the Agency to invest in obligations guaranteed by the U.S. Treasury or its agencies and general obligations of the State of New York and its municipalities. The Agency did not have any investments in the year ended June 30, 2016.

f. Prepaid Expenditures/Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures/expenses in both the fund and government-wide financial statements, respectively. Prepaid expenditures/expenses are amortized into expense over the period to which the payment covers.

g. Capital Assets

Capital assets are reported in the government-wide financial statements and include land, buildings and improvements, and machinery and equipment. The Agency capitalizes assets that have an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Assets contributed (donated) are recorded at estimated fair value at the time of acquisition plus ancillary charges if any.

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.

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

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

h. Accounts and Mortgages Receivable, and Related Allowance

Accounts receivable represent loans made to qualifying Town of Islip property owners for repairs to their homes with construction costs up to a maximum of \$50,000. The owner's property serves as collateral for these accounts receivable. An installment plan is prepared by the Agency whereby the applicant repays 100% of the cost of improvements with no interest, over a period of five to fifteen years.

Mortgages receivable are held by the Agency in relation to properties sold. The properties sold serve as collateral for the underlying mortgages. Each mortgage may consist of three pieces:

- 1) A purchase money mortgage, repaid over the life of the loan;
- 2) An interest free deferred mortgage owed to the Agency when the owner of the property no longer occupies the property; and
- 3) An interest free soft subsidized mortgage, which is due only if the owner no longer occupies the property in the first 10 years of the mortgage.

Town of Islip Community Development Agency

(A Component Unit of the Town of Islip, New York)

Notes to Financial Statements June 30, 2016

Note 1 - Summary of Significant Accounting Policies - Continued

h. Accounts and Mortgages Receivable, and Related Allowance - Continued

Purchase money mortgages offered by the Agency have current interest rates of 4% with no points, no closing costs, exemption from the NYS mortgage tax, no private mortgage insurance, and repayment terms of up to 30 years. Interest rates on the Agency's outstanding purchase money mortgages range from 4% to 9.25%.

An allowance is provided on accounts, purchase money, and deferred mortgage receivables based on historical collection experience. For those delinquent accounts and mortgages subject to collection proceedings, such allowance is determined on the difference between the fair value of the collateral and the outstanding principal and interest balance of the account receivable or mortgage. In addition, the Agency establishes an allowance for soft subsidized mortgages. Based on historical experience, the Agency considers it highly probable that borrowers with these types of mortgages will occupy their property for the required 10 years. Accordingly, the Agency has fully reserved for all such mortgages. The allowance for uncollectable mortgage receivables was \$1,240,000 at June 30, 2016, all of which was attributable to soft subsidized mortgages.

Accounts and mortgages receivable are considered past due after fifteen days, delinquent after thirty days, and collection proceedings begin after three months. Bad debts due to bankruptcies and foreclosures are charged to expense when measurable.

i. Property Held for Resale

Property acquired for rehabilitation and held for resale is valued at the lower of cost or expected net realizable value and is recorded in the General Fund, the Home Investment Partnership Program, Community Development Block Grant Program, the NSP Fund, and the NSP3 Fund. Expenditures in excess of net realizable value are reported as rehabilitation expenses. Net realizable value is estimated through the comparison of historical sales activity to the historical cost of sold properties. The sale of property in excess or below cost or net realizable value is recorded as a component of other program income.

j. Deferred Inflows and Outflows

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The Agency reports outstanding accounts and mortgages receivable in the governmental funds as deferred inflows as the outstanding balances are not expected to be collected within the Agency's period of availability. When a property is sold, a mortgage receivable and deferred inflow is recorded, with revenue recognized as payments on the mortgages are collected.

Pension related deferred outflows of resources and deferred inflows of resources may occur due to differences between expected and actual experience, changes in actuarial assumptions, the net difference between projected and actual investment earnings on pension plan investments, changes in proportion and difference between employer contributions and proportionate share of contributions and employer contributions made subsequent to the measurement date. Additionally, the Agency records a deferred outflow of resources for contributions to the pension plan made subsequent to the plan measurement date but prior to year-end. The amounts and impact of these deferred items is discussed further in Note 6.

Town of Islip Community Development Agency

(A Component Unit of the Town of Islip, New York)

Notes to Financial Statements June 30, 2016

Note 1 - Summary of Significant Accounting Policies - Continued

k. Compensated Absences

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

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

Accrual of vacation and sick leave is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation and sick leave when such payment becomes due.

l. Pension Benefits

The Agency is a participating employer in the New York State and Local Retirement System (ERS). Employees of the Agency have the option to enroll in ERS. ERS is a cost sharing, multiple employer, public employee defined benefit retirement system. The Agency reflects contributions to ERS as expenditures in the governmental funds. The Agency's proportionate share of ERS's net pension liability, along with deferred outflows and inflows of resources are reported in the government-wide statement of net position. The impact on the Agency's financial position and results of operations due to its participation in ERS is more fully disclosed in Note 6.

m. Post-Employment Benefits

In addition to providing pension benefits, the Agency provides health insurance coverage and survivor benefits for retired 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. Healthcare benefits and survivor benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Agency recognizes the financial impact of other postemployment benefits in its financial statements. The impact on the Agency's financial position and results of operations is more fully disclosed in Note 7.

The Agency is the sponsor of the Town of Islip Community Development Agency Pension Accident and Health Plan, which is a defined contribution money purchase pension plan. The trustee of the assets is John Hancock. The plan covers three (3) employees who met the eligibility requirements and were employed by the Agency prior to June 1, 1987 and who elected not to join the NYS Retirement System. The employer's annual contribution is 20.0% of each of the participants' compensation. The contribution payable for the plan year ended June 30, 2016 amounted to \$45,050.

Town of Islip Community Development Agency

(A Component Unit of the Town of Islip, New York)

Notes to Financial Statements June 30, 2016

Note 1 - Summary of Significant Accounting Policies - Continued

n. Net Position and Fund Balance

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

Investment in Capital Assets - the amount of net position representing capital assets net of accumulated depreciation. The Agency did not utilize debt to acquire its capital assets.

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

Unrestricted Net Position - The amount of net position that does not meet the definition of Restricted or Investment in Capital Assets.

The governmental fund financial statements may present five classifications of fund balance:

Nonspendable - Includes amounts that cannot be spent because they either are not in spendable form or are legally or contractually required to be maintained intact. The Agency's nonspendable fund balance includes prepaid expenditures and property held for sale.

Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by grantors, creditors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. In the Special Revenue Funds, the Agency's remaining fund balance after nonspendable fund balance is fully restricted due to program guidelines for federal aid.

Committed - Includes amounts with constraints imposed by formal action of the Agency's highest level of decision making authority.

Assigned - Includes amounts with constraints placed by the Agency's intent to be used for specific purposes, but is not restricted or committed.

Unassigned - Includes all other amounts that do not meet the definition of the above four classifications and are deemed to be available for general use within the general fund.

For classifications of fund balances, the Agency considers expenditures to be made from restricted resources first, then in the following order, committed, assigned, and unassigned resources.

o. Program Revenues

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

Town of Islip Community Development Agency

(A Component Unit of the Town of Islip, New York)

Notes to Financial Statements June 30, 2016

Note 1 - Summary of Significant Accounting Policies - Continued

p. Restatements and New Accounting Pronouncements

Restatements

The Agency was required to implement the provisions of the following accounting standards June 1, 2014:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*. This statement addresses an issue regarding the application of the transition provisions of Statement No. 68, *Accounting and Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

As a result of adopting these accounting standards, the Agency now reports its proportionate share of the net pension liability, along with related deferred outflows of resources, deferred inflows of resources, and pension expense as determined by the New York State and Local Employees' Retirement System. Statements 68 and 71 were effective for fiscal years beginning after June 15, 2014. The Agency previously omitted the adoption of these standards in its reporting for the period ended June 30, 2015; accordingly, these statements were implemented during the year ended June 30, 2016. The Statements were applied retroactively as required.

In addition, the Agency determined that the soft subsidized portion of mortgages receivable will most likely not be collected as it is highly probable that borrowers will reside within their homes for the required ten years. Accordingly, the Agency has restated its opening net position for mortgage receivable amounts determined to be uncollectable.

Based on historical analysis, the Agency has also determined that the net realizable value of their property held for sale at June 30, 2015 was less than historical cost. As a result, the Agency has reduced the value of property held for sale to its estimated net realizable value.

Town of Islip Community Development Agency

(A Component Unit of the Town of Islip, New York)

Notes to Financial Statements June 30, 2016

Note 1 - Summary of Significant Accounting Policies - Continued

p. Restatements and New Accounting Pronouncements - Continued

Restatements - Continued

Opening balances were restated as follows:

	As Previously Reported June 30, 2015	Adoption of GASB 68/71	Uncollectable Loans	Net Realizable Value of Property Held for Sale	Restated June 30, 2015
<u>Governmental Funds</u>					
General Fund -					
Property held for sale	\$ 463,920	\$ -	\$ -	\$ (15,971)	\$ 447,949
Fund balance	1,250,743	-	-	(15,971)	1,234,772
HOME Investment Partnership Program -					
Property held for sale	2,104,139	-	-	(537,668)	1,566,471
Fund balance	2,223,861	-	-	(537,668)	1,686,193
Community Development Block Grant -					
Property held for sale	5,160,344	-	-	(1,153,046)	4,007,298
Fund balance	7,518,626	-	-	(1,153,046)	6,365,580
NSP -					
Property held for sale	225,411	-	-	(62,716)	162,695
Fund balance	317,042	-	-	(62,716)	254,326
NSP3 -					
Property held for sale	1,129,623	-	-	(406,664)	722,959
Fund balance	1,126,813	-	-	(406,664)	720,149
<u>Governmental Activities</u>					
Property held for sale	9,083,437	-	-	(2,176,065)	6,907,372
Loans Receivable	19,962,263	-	(920,000)	-	19,042,263
Deferred outflows of resources	-	42,439	-	-	42,439
Net pension liability	-	64,249	-	-	64,249
Pension contribution payable	-	29,223	-	-	29,223
Deferred inflows of resources	-	2,167	-	-	2,167
Net position	33,248,808	(53,200)	(920,000)	(2,176,065)	30,099,543

New Accounting Pronouncements

The Agency adopted the following accounting standards effective July 1, 2015:

GASB Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. It also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. This statement establishes requirements for those pensions and pension plans that are not administrated through a trust meeting specified criteria and thus are not covered by Statements Nos. 67 and 68.

Town of Islip Community Development Agency

(A Component Unit of the Town of Islip, New York)

Notes to Financial Statements June 30, 2016

Note 1 - Summary of Significant Accounting Policies - Continued

p. Restatements and New Accounting Pronouncements - Continued

New Accounting Pronouncements - Continued

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the hierarchy of generally accepted accounting principles to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specific with a source of authoritative GAAP.

The adoption of these accounting standards did not materially affect the Agency's financial statements.

q. Subsequent Events

The Agency has evaluated subsequent events for potential recognition or disclosure through March 13, 2017, the date the financial statements were available to be issued.

Note 2 - Cash and Cash Equivalents

As of June 30, 2016, the reconciliation of the carrying amount of cash and cash equivalents was as follows:

Cash and cash equivalents	\$ 3,777,243
Escrow funds	<u>338,387</u>
Total cash and cash equivalents	<u>\$ 4,115,630</u>
Petty cash	\$ 200
Demand deposits	788,602
Money market accounts	<u>3,326,828</u>
Total cash and cash equivalents	<u>\$ 4,115,630</u>

The Agency's cash and depository policies are governed by State statutes. Agency monies must be deposited in FDIC insured commercial banks or trust companies located within the State.

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

Town of Islip Community Development Agency

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Notes to Financial Statements June 30, 2016

Note 3 - Accounts and Mortgages Receivable

A summary of accounts and mortgages receivable activity for the year is as follows:

Fund	(Restated) Balance June 30, 2015	Additions	Reductions	Reserved for Subsidized Mortgages	Balance June 30, 2016
General	\$ 55,905	\$ -	\$ -	\$ -	\$ 55,905
CDBG	10,801,510	1,184,562	687,100	160,000	11,138,972
HOME	5,957,566	772,474	154,943	120,000	6,455,097
NSP	2,227,282	-	175,358	-	2,051,924
Non-major	-	192,000	2,011	40,000	149,989
Total	\$ 19,042,263	\$ 2,149,036	\$ 1,019,412	\$ 320,000	\$ 19,851,887

The classification of accounts and mortgages receivable and reserves is as follows:

	Fund					Total
	General	HOME	CDBG	NSP	Non-major	
Accounts and mortgages receivable	\$ 55,905	\$ 7,015,097	\$11,458,972	\$ 2,371,924	\$ 189,989	\$21,091,887
Reserve for subsidized mortgages	-	(560,000)	(320,000)	(320,000)	(40,000)	(1,240,000)
Accounts and mortgages receivable, net	<u>\$ 55,905</u>	<u>\$ 6,455,097</u>	<u>\$11,138,972</u>	<u>\$ 2,051,924</u>	<u>\$ 149,989</u>	<u>\$19,851,887</u>

Note 4 - Property Held for Sale

During the year ended June 30, 2016, the changes in property held for sale were as follows:

Fund	(Restated) Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016
CDBG	\$ 4,007,298	\$ 632,860	\$ 1,659,428	\$ 2,980,730
HOME	1,566,471	506,401	903,659	1,169,213
NSP	162,695	-	-	162,695
General	447,949	5,112	-	453,061
Non-major	722,959	100,713	253,159	570,513
Total	\$ 6,907,372	\$ 1,245,086	\$ 2,816,246	\$ 5,336,212

Town of Islip Community Development Agency

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Notes to Financial Statements June 30, 2016

Note 5 - Capital Assets

For the year ended June 30, 2016, capital assets activities were as follows:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016
Non-depreciable assets, land	\$ 625,505	\$ -	\$ -	\$ 625,505
Depreciable assets				
Buildings and improvements	3,932,426	-	-	3,932,426
Machinery and equipment	128,386	10,370	-	138,756
Total capital assets	4,686,317	10,370	-	4,696,687
Less accumulated depreciation	(2,662,381)	(112,658)	-	(2,775,039)
Total capital assets, net	\$ 2,023,936	\$ (102,288)	\$ -	\$ 1,921,648

Depreciation expense of \$112,658 for the year ended June 30, 2016 was charged to different functions as follows:

Residential rehabilitation	\$ 93,533
Commercial rehabilitation and development	98
Public facilities improvement	3,030
Public service	814
Code enforcement	1,231
General	13,952
Total depreciation	\$ 112,658

Note 6 - Retirement System

a. Plan Description and Benefits Provided

The Agency participates in the New York State and Local Employees' Retirement System (ERS), which is a cost-sharing multiple employer, public employee retirement system. ERS provides retirement benefits including an automatic cost of living adjustment, as well as death and disability benefits. New York State Retirement and Social Security Law govern obligations of employers and employees to contribute and provide benefits to employees. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from ERS at www.osc.state.ny.us/retire.

In general, retirement benefits are determined based on an employee's individual circumstances using a pension factor, age factor, and final average salary. The benefits vary depending on the individual's employment tier. Pension factors are determined based on tier and an employee's years of service, among other factors.

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Notes to Financial Statements June 30, 2016

Note 6 - Retirement System - Continued

b. Contributions

Employees in ERS Tiers I through IV are noncontributory except for employees with less than 10 years of service who contribute 3% of their salary, Tier V employees who contribute 3% of their salary, and Tier VI employees who contribute between 3% and 6% of their salary. The Comptroller annually certifies the rates, expressed as proportions of payroll of members, which are used in computing the contributions required to be made by employers.

c. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Agency reported a liability of \$342,050 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2016, and the total pension liability was determined by an actuarial valuation as of April 1, 2015. The Agency's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contribution for the fiscal year ended on the measurement date. At the March 31, 2016 measurement date, the Town's proportionate share was .0021311%.

For the year ended June 30, 2016, the Agency recognized pension expense of \$127,732. At June 30, 2016, the Agency reported deferred outflows of resources and deferred inflows of resources as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,728	\$ 40,544
Changes of assumptions	91,214	-
Net differences between projected and actual investment earnings on pension plan investments	202,923	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	24,312	1,625
Agency contributions subsequent to the measurement date	23,811	-
Total	\$ 343,988	\$ 42,169

Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ending December 31,	
2017	\$ 70,292
2018	70,292
2019	70,292
2020	67,132
Total	\$ 278,008

Town of Islip Community Development Agency

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Notes to Financial Statements June 30, 2016

Note 6 - Retirement System - Continued

d. Actuarial Assumptions

The actuarial assumptions used in the April 1, 2015 valuation, with updated procedures used to roll forward the total pension liability to March 31, 2016, were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

Actuarial Cost Method	Entry age normal
Inflation Rate	2.5 percent
Salary Scale	3.8 percent, indexed by service
Investment rate of return, including inflation	7.0 percent compounded annually, net of expenses
Cost of living adjustments	1.3% annually
Decrement	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014

The long-term expected rate of return on the System's plan investments was determined in accordance with Actuarial Standard of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major class as well as historical investment data and plan performance.

e. Investment Asset Allocation

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016 are summarized below:

Asset Type	Target Allocation	Long-Term Expected Real Rate
Domestic equity	38.00%	7.30%
International equity	13.00%	8.55%
Private equity	10.00%	11.00%
Real estate	8.00%	8.25%
Absolute return strategies	3.00%	6.75%
Opportunistic portfolio	3.00%	8.60%
Real assets	3.00%	8.65%
Bonds and mortgages	18.00%	4.00%
Cash	2.00%	2.25%
Inflation-Indexed bonds	2.00%	4.00%
	<u>100.00%</u>	

Town of Islip Community Development Agency

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Notes to Financial Statements June 30, 2016

Note 6 - Retirement System - Continued

f. Discount Rate

The discount rate projection of cash flows assumes that contributions from members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

g. Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Agency's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0% and the impact of using a discount rate that is 1% higher or lower than the current rate:

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Agency's proportionate share of the net pension liability (asset)	\$ 771,298	\$ 342,050	\$ (20,646)

h. Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the New York State and Local Employees' Retirement System as of March 31, 2016 were as follows (amounts in thousands):

Employers' total pension liability	\$ 172,303,544
Plan net position	(156,253,265)
Employers' net pension liability	\$ 16,050,279
Ratio of plan net position to the employers' total pension liability	90.7%

Note 7 - Post-Employment Benefits

a. Plan Description

The Agency provides medical benefits to its eligible retirees under a single employer defined benefit plan. The Agency's retiree medical/drug and dental insurance plans are fully insured with Empire Plan. Employees hired prior to April 27, 2010, are eligible for these benefits once they have reached the age of 55 and have 5 years of qualified employment. Employees hired after April 27, 2010, are eligible for these benefits once they have reached the age of 55 and have 10 years of qualified employment.

Town of Islip Community Development Agency

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Notes to Financial Statements June 30, 2016

Note 7 - Post-Employment Benefits - Continued

a. Plan Description - Continued

For those employees hired prior to April 27, 2010, the Agency has agreed to pay the full cost of coverage for such retirees and to pay the cost of coverage for the retiree's spouse during the retiree's lifetime. Employees hired on or after April 27, 2010, contribute toward their health insurance. The Agency also reimburses the retirees for payment of the Medicare part B premium for the retiree and their spouse during the retiree's lifetime.

Currently, 13 retired employees and surviving spouses receive health benefits from the Agency.

The Agency recognizes the cost of providing health insurance annually as expenditures in various funds in its financial statements as payments are made. For the year ended June 30, 2016, the Agency recognized \$78,068 for its share of insurance premiums for currently enrolled retirees.

b. Annual OPEB Cost and Net OPEB Obligation

The Agency's annual other post-employment benefit (OPEB) cost for its plan is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation:

Annual required contribution	\$	255,796
Interest on Net OPEB obligation		30,839
Less ARC Adjustment		<u>(38,783)</u>
Annual OPEB Cost		247,852
Less contribution made		<u>78,068</u>
Increase in net OPEB obligation		169,784
 Net OPEB Obligation, <i>beginning of year</i>		 <u>770,970</u>
 Net OPEB Obligation, <i>end of year</i>		 <u><u>\$ 940,754</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	\$ 247,852	31.50%	\$ 940,754
June 30, 2015	239,697	51.90%	770,970
June 30, 2014	230,529	51.90%	655,759

Town of Islip Community Development Agency

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Notes to Financial Statements June 30, 2016

Note 7 - Post-Employment Benefits - Continued

c. Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$3,545,905, and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,545,905. The covered payroll (annual payroll of active employees covered by the plan) was \$800,864, and the ratio of the UAL to the covered payroll was 442.8%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

d. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and on the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following actuarial methods and assumptions were used in the calculation:

Funding Interest rate	4.00%
Amortization period of UAAL (in years)	30
2015 medical trend rate (Pre 65/Post 65)	9.00% / 5.00%
Ultimate Medical/RX trend rate	5.00%
Year ultimate trend rates reached	2019 / 2015
Actuarial cost method	Entry Age Normal
The remaining amortization period at 6/30/2016	23.37
Annual payroll increase	2.50%

Additionally, it is assumed that 100% of the current active employees covered under the active plan on the day before retirement would enroll in the retiree medical plan upon retirement. The mortality rates are from the Combined RP 2000 Combined male and Female Fully Generational Mortality Table. The percentage of eligible employees who choose to retire is assumed to vary with their age. It is assumed that 30% of the employees will retire at attaining the age 55. After the age of 55, the percentage choosing to retire will range between 15% to 25%, and will rise to 100% at the age of 64.

Town of Islip Community Development Agency

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Notes to Financial Statements June 30, 2016

Note 8 - Compensated Absences

A summary of changes in compensated absences for the year ended June 30, 2016 is as follows:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
Compensated absences	\$ 405,911	\$ 118,500	\$ 96,286	\$ 428,125	\$ 96,000

Note 9 - Related Party Transactions

Islip Housing Development Fund Company, Inc.

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

The Agency has contracted with IHDFC for the construction of new homes for first-time homebuyers under the Home Investment Partnership Program. Also, the Agency has contracted for the acquisition/rehabilitation of existing scattered site homes under the Home Investment Partnership and Community Development Block Grant Programs for rental or rent-with-option to buy housing. Upon expiration of this agreement, IHDFC shall transfer to the Agency any unexpended Community Development Block Grant funds and any accounts receivable attributable to the use of Community Development Block Grant funds. Amounts received as of and for the year-ended June 30, 2016 by the IHDFC from the Agency for contracted services was \$144,687.

IHDFC utilizes the employees of the Agency to perform bookkeeping, project management maintenance, and grounds keeping. IHDFC reimburses the cost of these expenses to the Agency. Amounts reimbursed to the Agency by the IHDFC for these services were \$142,344 as of and for the year-ended June 30, 2016.

At June 30, 2016, the Community Development Block Grant Fund owed \$25,000 to the IHDFC.

Town of Islip

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

Note 10 - Concentration of Credit Risk Arising from Economic Dependency

Federal grants during the year provided approximately 53.9% percent of all Agency revenue during the fiscal year ended June 30, 2016. This funding primarily relates to three ongoing programs funded by the U.S. Department of Housing and Urban Development including the Community Development Block Grant (CDBG) Entitlement grant (15.9%), Home Investment Partnership Grant (HOME) Program (9.3%), and Housing Opportunities for Persons with HIV/AIDS (HOPWA) program (26.7%). These programs have a significant impact on the Agency's financial condition.

Town of Islip Community Development Agency

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Notes to Financial Statements June 30, 2016

Note 10 - Concentration of Credit Risk Arising from Economic Dependency - Continued

Annual funding for these programs is subject to change, and funding for new or expanded housing and redevelopment programs is not foreseeable. The Agency has accumulated accounts and mortgages receivable and property held for sale that may be used to fund program activities in the event of a decline in Federal funding.

Note 11- Contingencies

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

The Agency owns a property that was environmentally contaminated prior to the Agency's acquisition. The property and related contamination are subject to a New York State investigation. The Agency has been advised that the entire cost to remediate the property could be in excess of \$1,000,000. However, there is presently no legal mandate to remediate the property or any other reason to compel the Agency to remediate. Accordingly the Agency has not recognized an obligation for this matter.

Note 12 - Accounting Standards Issued Not Yet Implemented

The Agency has not implemented the following accounting pronouncements that are required for financial statements presented in accordance with U.S. GAAP:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 establishes financial reporting standards for other postemployment benefits ("OPEB") plans for state and local governments. This standard replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The statement establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources, and expense/expenditures, as well as identifying the methods and assumptions required to project benefit payments, discount projected benefit payments, to their actuarial present value, and attribute that present value to periods of employee service. Additionally, GASB 75 lays out requirements for additional note disclosures and required supplementary information. These requirements are effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 77, *Tax Abatement Disclosures* ("GASB 77"). GASB 77 requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. The requirements of GASB 77 are effective for fiscal years beginning after December 15, 2015.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans* ("GASB 78"). GASB 78 amends the scope and applicability of Statement 68 to exclude pension plans provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local government pension plan, (2) is used to provide defined benefits both to employees of state or local governmental employers and to employees of employers that are not state or local governments, and (3) is not used predominantly by a state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The requirements of GASB 78 are effective for fiscal years beginning after December 15, 2015.

Town of Islip Community Development Agency

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Notes to Financial Statements June 30, 2016

Note 12 - Accounting Standards Issued Not Yet Implemented - Continued

GASB Statement No 79, *Certain External Investment Pools and Pool Participants* ("GASB 79"). GASB 79 will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share. The requirements of GASB 79 are effective for fiscal years beginning after December 15, 2015.

GASB Statement No. 80, *Blending Requirements for Certain Component Units* ("GASB 80"). GASB 80 provides clarity on how certain component units incorporated as not for-profit corporations should be presented in the financial statements of the primary state or local government. The requirements of GASB 80 are effective for fiscal years beginning after June 15, 2016.

GASB Statement No 81, *Irrevocable Split Interest Agreements* ("GASB 81"). GASB 81 addresses the situations under which irrevocable split-interest agreements constitute an asset for accounting and financial reporting purposes when the resources are administered by a third party. GASB 81 also provides expanded guidance for circumstances in which the government holds the assets. The requirements of GASB 81 are effective for fiscal years beginning after December 15, 2016.

GASB Statement No 82, *Pension Issues* ("GASB 82"). GASB 82 addresses practice issues raised during implementation of the GASB's pension accounting and financial reporting standards for state and local governments. The requirements of GASB 82 are effective for fiscal years beginning after June 15, 2016.

Management has not estimated the extent of potential impact of these statements on the Agency's financial statements.

Town of Islip Community Development Agency

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Schedule of Funding Progress - Other Postemployment Benefits June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Simplified Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
1/1/2015	\$ -	\$ 3,545,905	\$ 3,545,905	0%	\$ 800,864	442.80%
1/1/2013	\$ -	\$ 3,838,976	\$ 3,838,976	0%	\$ 768,642	499.40%
1/1/2011	\$ -	\$ 3,627,284	\$ 3,627,284	0%	\$ 866,153	418.80%

Town of Islip Community Development Agency

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Schedule of Proportionate Share of Net Pension Liability June 30, 2016

	<u>2016</u>	<u>2015</u>
Agency's proportion of the net pension liability	0.0021311%	0.0019019%
Agency's proportionate share of the net pension liability	\$ 342,050	\$ 64,249
Agency's covered-employee payroll	\$ 678,763	\$ 626,495
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	50.39%	10.26%
Plan fiduciary net position as a percentage of the total pension liability	90.68%	97.95%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Town of Islip Community Development Agency

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Schedule of Pension Contributions June 30, 2016

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 116,891	90,346
Contributions in relation to the contractually required contribution	116,891	90,346
Contribution deficiency (excess)	-	-
Agency's covered-employee payroll	678,763	626,495
Contribution as a percentage of covered-employee payroll	17.22%	14.42%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Town of Islip Community Development Agency

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Combining Balance Sheet - Community Development Block Grant Sub-Funds

June 30, 2016

	East Islip Congregate	Community Development Block Grant	Rental Unit Management	Applied Technology Center	911 Lowell Avenue	Eliminations	Total CDBG
ASSETS							
Cash and cash equivalents	\$ 467,062	\$ 1,505,769	\$ 36,512	\$ 519,271	\$ 4,832	\$ -	\$ 2,533,446
Escrow funds	19,947	9,652	7,302	10,359	1,127	-	48,387
Due from other governments	-	197,173	-	-	-	-	197,173
Accounts and mortgages receivable	-	11,138,972	-	-	-	-	11,138,972
Property held for sale	-	2,980,730	-	-	-	-	2,980,730
Prepaid expenditures	7,629	70,697	2,918	2,581	2,363	-	86,188
Due from other funds	-	96,293	-	-	-	(96,283)	10
Total assets	<u>\$ 494,638</u>	<u>\$ 15,999,286</u>	<u>\$ 46,732</u>	<u>\$ 532,211</u>	<u>\$ 8,322</u>	<u>\$ (96,283)</u>	<u>\$ 16,984,906</u>
LIABILITIES							
Accounts payable	\$ 8,151	\$ 169,370	\$ 3,585	\$ 3,439	\$ 1,550	\$ -	\$ 186,095
Pension plan payable	3,020	27,803	2,023	1,454	1,727	-	36,027
Due to HDFC	-	-	25,000	-	-	-	25,000
Due to other funds	-	-	-	-	96,283	(96,283)	-
Liability for client escrow deposits	19,947	9,652	7,302	10,359	1,127	-	48,387
Total liabilities	<u>31,118</u>	<u>206,825</u>	<u>37,910</u>	<u>15,252</u>	<u>100,687</u>	<u>(96,283)</u>	<u>295,509</u>
DEFERRED INFLOWS							
Unavailable resources	-	11,138,971	-	-	-	-	11,138,971
FUND BALANCES							
Nonspendable	7,629	3,051,427	2,918	2,581	2,363	-	3,066,918
Restricted-to Community Development	455,891	1,602,063	5,904	514,378	(94,728)	-	2,483,508
Total fund balances	<u>463,520</u>	<u>4,653,490</u>	<u>8,822</u>	<u>516,959</u>	<u>(92,365)</u>	<u>-</u>	<u>5,550,426</u>
	<u>\$ 494,638</u>	<u>\$ 15,999,286</u>	<u>\$ 46,732</u>	<u>\$ 532,211</u>	<u>\$ 8,322</u>	<u>\$ (96,283)</u>	<u>\$ 16,984,906</u>

See Independent Auditor's Report.

Town of Islip Community Development Agency

(A Component Unit of the Town of Islip, New York)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Community Development Block Grant Sub-Funds

	Year Ended June 30, 2016					
	East Islip Congregate	Community Development Block Grant	Rental Unit Management	Applied Technology Center	911 Lowell Avenue	Total CDBG
REVENUES						
Federal Aid	\$ -	\$ 919,131	\$ -	\$ -	\$ -	\$ 919,131
Departmental income						
Other program income	854	88,438	30,754	-	-	120,046
Subrecipients program income	-	270,000	-	-	-	270,000
Repayment of mortgages	-	886,602	-	-	-	886,602
Rental income	218,188	83,975	115,814	140,569	39,363	597,909
Use of money and property						
Interest income	430	1,627	11	482	2	2,552
Total revenues	219,472	2,249,773	146,579	141,051	39,365	2,796,240
EXPENDITURES						
Residential rehabilitation and development	161,433	2,313,699	137,944	98,821	74,397	2,786,294
Public facilities improvement	-	6,000	-	-	-	6,000
Public service programs	-	184,664	-	-	-	184,664
Commercial rehabilitation and development	-	49,641	-	-	-	49,641
Code enforcement	-	75,000	-	-	-	75,000
General and administrative	-	509,795	-	-	-	509,795
Total expenditures	161,433	3,138,799	137,944	98,821	74,397	3,611,394
Excess (deficiency) of revenues over expenditures	58,039	(889,026)	8,635	42,230	(35,032)	(815,154)
FUND BALANCE, beginning of year	405,481	5,542,516	187	474,729	(57,333)	6,365,580
FUND BALANCE, end of year	\$ 463,520	\$ 4,653,490	\$ 8,822	\$ 516,959	\$ (92,365)	\$ 5,550,426

Town of Islip Community Development Agency

(A Component Unit of the Town of Islip, New York)

Combining Balance Sheet - Nonmajor Governmental Funds

	June 30, 2016		
	Emergency Shelter Program	NSP3	Total Other Governmental
ASSETS			
Cash and cash equivalents	\$ 160	\$ 44,055	\$ 44,215
Escrow funds	-	17,927	17,927
Due from other governments	12,914	-	12,914
Accounts and mortgages receivable	-	149,989	149,989
Property held for sale	-	570,513	570,513
Prepaid expenditures	121	-	121
	\$ 13,195	\$ 782,484	\$ 795,679
LIABILITIES			
Accounts payable	\$ 12,908	\$ 3,575	\$ 16,483
Pension plan payable	6	-	6
Due to other funds	10	-	10
Liability for client escrow deposits	-	17,927	17,927
Total liabilities	12,924	21,502	34,426
DEFERRED INFLOWS			
Unavailable resources	-	149,989	149,989
FUND BALANCES			
Nonspendable	121	570,513	570,634
Restricted-to Community Development	150	40,480	40,630
Total fund balances	271	610,993	611,264
	\$ 13,195	\$ 782,484	\$ 795,679

Town of Islip Community Development Agency

(A Component Unit of the Town of Islip, New York)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds

	Year Ended June 30, 2016		
	Emergency Shelter Program	NSP3	Total Other Governmental
REVENUES			
Federal Aid	\$ 109,778	\$ -	\$ 109,778
Departmental income			
Other program income	-	(8)	(8)
Repayment of mortgages	-	63,349	63,349
Total revenues	109,778	63,341	173,119
EXPENDITURES			
Residential rehabilitation and development	105,575	171,600	277,175
General and administrative	4,402	897	5,299
Total expenditures	109,977	172,497	282,474
Deficiency of revenues over expenditures	(199)	(109,156)	(109,355)
FUND BALANCE, beginning of year	470	720,149	720,619
FUND BALANCE, end of year	\$ 271	\$ 610,993	\$ 611,264