

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

ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 2018



Prepared by:
Anne L. LaMorte
Financial Manager, CFO

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

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

*ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018*



Prepared by:
ANNE L. LAMORTE
FINANCIAL MANAGER, CFO

Glen Cove Industrial Development Agency
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For The Years Ended December 31, 2018 and 2017

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INTRODUCTORY SECTION



Glen Cove Industrial Development Agency
(A Component Unit of the City of Glen Cove, New York)
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PROFILE OF THE AGENCY

The Glen Cove Industrial Development Agency (the “IDA”, “Agency”) is a public benefit corporation, which was created by New York State legislation on May 17, 1974 at the request of the City of Glen Cove (the “City”). The Glen Cove IDA has the authority to help not-for-profit and qualified businesses to relocate, expand and build in the City of Glen Cove. Although the Agency is an entity independent of the City of Glen Cove government, the Mayor is the Chairman of the Agency and appoints all members of the Agency’s Board of Directors. He and the Executive Director annually direct the Agency to implement development projects on the City’s behalf.

The Agency’s Board of Directors is comprised of five members appointed by the Mayor. The Agency’s Board is responsible for hiring the Agency’s Executive Director, whose responsibility it is to carry out the policies of the Board, to oversee the day-to-day operations of the agency, and to hire the heads of the various departments.

The Agency is considered a discretely presented component unit of the City of Glen Cove, because the City of Glen Cove Mayor appoints the Agency’s Board of Directors, and the City of Glen Cove is obligated for the indebtedness of the Agency.

The Agency’s mission is to improve economic conditions in the City of Glen Cove. The Agency operates to attract, retain and expand businesses within its jurisdiction through the provision of financial incentives to private entities. The Agency is legally empowered to buy, sell or lease property and to provide tax exempt financing for approved projects. Real property owned or controlled by IDA is exempt from property and mortgage recording taxes, and the value of these exemptions can be passed through to assisted

businesses. Moreover, purchases related to IDA projects can be exempt from State and local sales taxes. While IDA properties are tax exempt, businesses occupying IDA-owned properties typically make payments in-lieu-of-taxes (PILOTs) that are paid to the City of Glen Cove.

MAJOR INITIATIVES - ACCOMPLISHMENTS

Glen Cove Waterfront Revitalization Project/ Garvies Point Project

The IDA closed on the Waterfront Revitalization Project in November 2016, and continues to work with RXR in constructing the Public Amenities and green space for use by the residents of Glen Cove. This project will benefit the City of Glen Cove, its residents and Nassau County by reclaiming blighted industrial waterfront property for public benefit and enjoyment through creating open space, luxury and workforce housing and retail/office space. RXR (developer of Garvies Point waterfront destination) will bring 466 new jobs during the construction phase of 5-6 years, and 545 jobs post-completion. There will also be new tax revenues and new money infused into the Glen Cove economy. The three residential buildings being developed during phase I of construction {H-rentals (177 units), I-rentals (208 units) and B-condos (167 units)} are estimated to be ready for occupancy by the end of 2019. In 2018, substantial work on the public amenities was completed, including installation of approximately 60% of the open cell wall bulkhead system and the sheeting for the PZC sheet pile bulkhead; approximately 50% of the combined wet and upland excavation for the Transient Marina has been completed; and installation of drainage and utility infrastructure continued. The U.S. Army Corp. of Engineers issued its Bulkhead/Marina Permit for the project on August 17, 2018. As of December 31, 2018, the approximate % of completion for Building H is 50%, Building I is

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40% and Building B is 45%. To date all construction is on schedule.

Ferry Terminal Project

The ferry terminal building was completed in December 2015 and full project close-out was completed in 2017 with all grant funding reimbursed. The City released an RFP for a Ferry Operator in November 2017, with the commencement of service by the beginning of 2019. The City has requested and received an extension from FHWA and NYSDOT to begin ferry service by May 22, 2020, to allow time for the Garvies Point (Phase I), Village Square, and Herb Hill/Garvies Point Road projects to be completed and for the City to procure a ferry operator, including agreements, work plans, coordination with other agencies (such as NYCEDC), and marketing.

Herbhill Garvies Point Road project

The Herb Hill/Garvies Point Road Reconstruction contract was awarded in January 2017. Mobilization followed soon after but was stopped after the project was required to adopt more stringent environmental regulations. The team worked with NYSDEC to develop an Excavation Work Plan (EWP) approved by NYSDEC in early November 2017. In 2018, substantial work (approximately 25%) was completed on the project, including the installation of underground utilities (sewer, water, drainage, cable and telecommunications) from the terminus at the west end of Garvies Point Road to near the Slant Fin property. The installation of a temporary bypass at the intersection of Herb Hill Rd., Garvies Point Rd. and Dickson St. was also completed by RXR to facilitate work on the project in 2019. The project is scheduled to be substantially complete by late fall 2019. Funding for the road project will be provided by NYSDOT, \$6.5 million and \$2.5 million by Empire State Development. The balance of the funding will be paid from bond

proceeds totaling \$15,942,847 for the road. Due to escalation caused by project delays and cost increases resulting from the requirements imposed by the NYSDEC and water management issues, the City worked with the IDA, GCLEAC, and RXR to make up to approximately \$13.7M available from the Public Amenities account to the City account for the Road project, as needed. This was memorialized in several agreements executed between the parties, including the First Amendment to the Trust Indenture, PIF Agreement, and Road Agreement.

Village Square

The IDA closed on the Village Square property with RXR Glen Cove Village Square Owner LLC, in December 2017 and received admin fees of \$309,736. This 2.5 acre, five story, mixed use project is located in the Downtown BID and centered on a large public plaza, will help revitalize the downtown area by creating approximately 146 residential rental housing units, including 13 workforce units, approximately 15,000 square feet of commercial space and approximately, including 1,900 square feet of medical office space and 171 parking spaces on site. The IDA estimates 15-25 full time jobs will be created from this project as well as 100-150 construction jobs. The City also received a PILOT fee for \$207K. The parking lease agreement entails that RXR rent at least 25 spaces per month in the Brewster St. garage for \$65 per month and allows up to 75 spots for residents in the garage based on demand. The project began in August of 2017, with RXR starting the demolition of the buildings on the property. During 2018, construction work continued with the driving of hundreds of structural piles, concrete, and foundation work. Construction is now vertical. Construction completion and building occupancy is anticipated by early 2020.

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In August 2018, RXR requested an increase in exemptions of sales tax and mortgage recording tax from the IDA for the Village Square project. RXR had moved from a modular to frame structural design for the buildings, with higher end fixtures to keep up with market demand. The IDA ordered updated economic impact studies to ensure that the additional financial assistance was warranted. The updated reports, produced by Camoin Associates, Inc. and the National Development Council supported the conclusion that due to the increased construction/development budget and resulting increased financing for the project, the requested adjustments to the exemptions were in fact needed. The IDA received an admin fee of \$120,000 for the additional assistance.

The Regency at Glen Cove

The City created a new corporation the Glen Cove Local Economic Assistance Corporation, ("GCLEAC") to assist the National Healthplex, (d/b/a "The Regency at Glen Cove"). The ability to refinance their debt has allowed the Regency to construct a new 22 memory care unit which increases the assisted living unit count by three units from 96 to 121 units, create additional common space and other aesthetic and functional improvements within the building and improve the School Street façade. The improvements should significantly enhance the quality of life for the residents. This project began construction in May 2016 and will produce 16 new full time jobs as well as 11 construction phase jobs. The construction is expected to be complete in spring 2019. The Alzheimer's units are scheduled to be completed in May 2019 and produced 752 full time equivalent construction and construction related jobs in 2018.

Budgetary Controls

The objective of budgetary controls maintained by the Agency is to ensure compliance with the budgets approved by the Board of Directors. Activities of the Agency are included in the Agency's annual budgeting process. The annual budget is proposed by the Executive Director and submitted to the Board of Directors for approval.

The budgets can be amended during the year. The Executive Director is authorized to make transfers within administrative budget lines.

All other amendments require approval from the Agency's Board of Directors. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

The Agency's Board of Directors also adopts and uses program budgets, which in total comprise the Agency's financial plan. The program budgets do not expire at the year end and are extended until the programs are completed. The completion of the programs may require several years. The Board may amend the budget as necessary.

Financial Reporting and Compliance

The Audit Committee of the Board oversees the financial reporting activities, results of operations, internal controls, and planned and long-term commitments. The Audit Committee oversees and monitors the Agency's compliance with current laws and regulations and applicable ethical standards, as well as conflicts of interest and fraud policies. The Audit Committee is composed of the Treasurer and a Board member. The Treasurer is a certified public accountant and also serves as the Vice-Chairman. Meetings are held at least twice a year.

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Investments

It is Agency policy that funds must be invested in compliance with the laws of the State of New York governing the investment of public funds. As such, the Agency is only permitted to invest in the obligations of the US Treasury or its agencies, certificates of deposit and other permitted investments. The Agency's investment policy objectives are to minimize credit and interest risks, provide sufficient liquidity to meet all possible cash demands, and attain the maximum yield possible while adhering to the first two objectives.

Contacting the IDA's Financial Management

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

BOARD MEMBERS

CHAIRMAN

Mayor Timothy Tenke



BOARD OF DIRECTORS

Vincent Hartley, CPA
Vice Chairman/Treasurer
James J. Cappiello
Joseph Gioino
John Tetta

GOVERNANCE COMMITTEE

Chairman Timothy Tenke
James J. Cipiello
Joseph Gioino

AUDIT /FINANCE COMMITTEE

Vincent Hartley, CPA- Vice Chairman
John Tetta

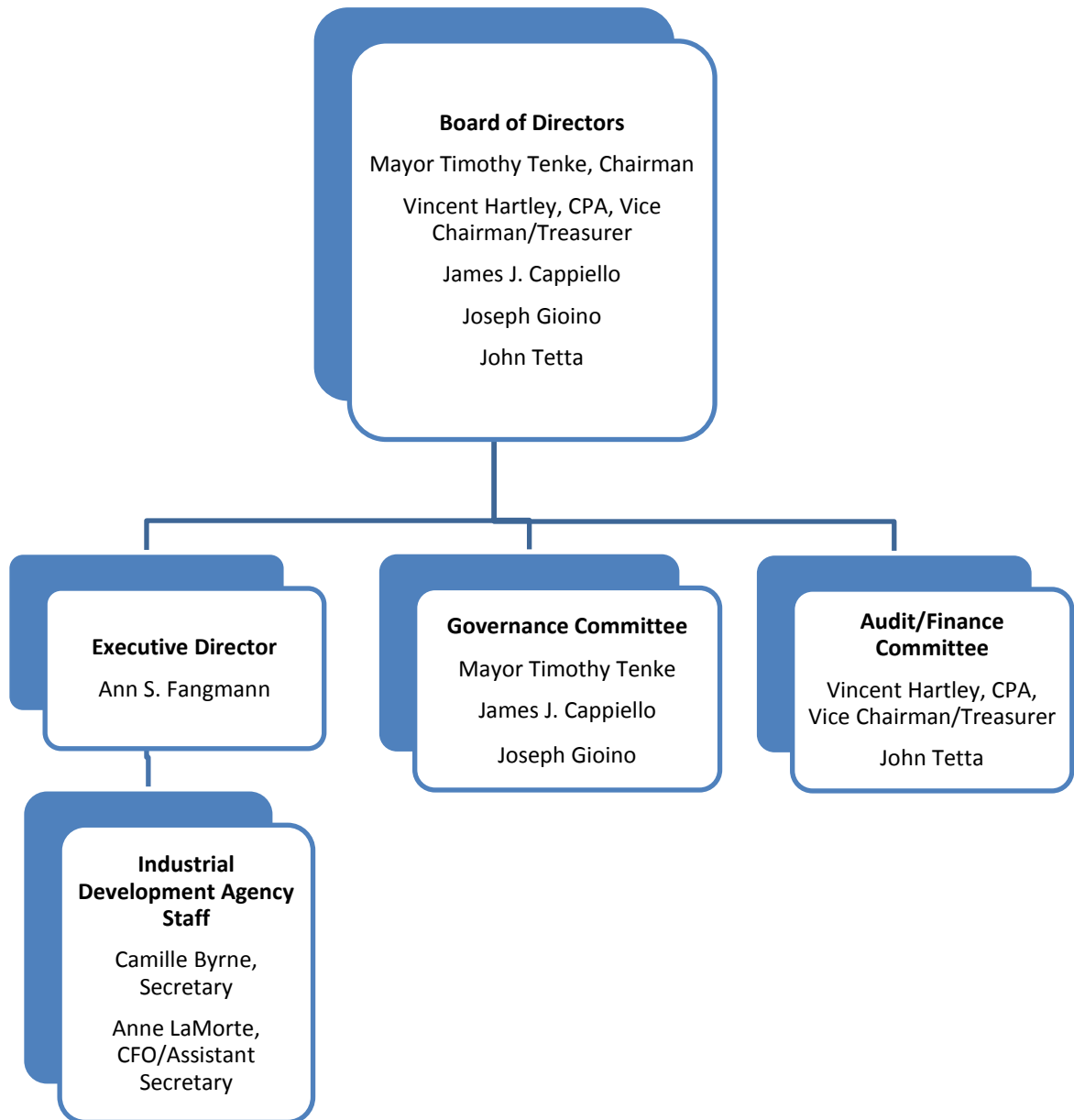
EXECUTIVE DIRECTOR

Ann S. Fangmann

INDUSTRIAL DEVELOPMENT AGENCY STAFF

Camille Byrne, Secretary
Anne LaMorte, Financial Manager, CFO/Assistant Secretary

CITY OF GLEN COVE INDUSTRIAL DEVELOPMENT AGENCY ORGANIZATIONAL CHART



FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Directors and Members
Glen Cove Industrial Development Agency
Glen Cove, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the Glen Cove Industrial Development Agency (the IDA), a component unit of the City of Glen Cove, New York, which consist of the statements of net position as of December 31, 2018 and 2017 and the related statements of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the IDA as of December 31, 2018 and 2017, and the related statements of revenue, expenses and changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As described in notes 1 and 14 to the financial statements, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," during the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 10 through 13 and 30 through 33 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 an opinion on the basic financial statements that collectively comprise the Glen Cove Industrial Development Agency's basic financial statements. Other supplementary information required under General Municipal Law 859, which is included on pages 34 through 37 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other

records used to prepare the basic financial statements. The information included on pages 34 through 37 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and we express no opinion on it.

The introductory section has not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2019, on our consideration of the IDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the IDA's 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 IDA's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 27, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Glen Cove Industrial Development Agency (the "IDA", "Agency"), we offer readers of the Agency's basic financial statements this narrative analysis of the Agency's financial performance and an overview of the Agency's financial activities for the years ended December 31, 2018 and 2017. Please read this information in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

In 2018, the IDA had a large decrease (52%) in its administration fees due to the Sale of the Waterfront Property to the Redeveloper and closings on The Regency at Glen Cove and MSP Development Company, ("Samuel Pierce"). Administrative fees totaled \$0.5 M for the year. The following are the financial highlights for 2018:

- Total assets and deferred outflows of resources as of December 31, 2018 were \$1,025,528 and \$27,354 and were less than liabilities and deferred outflows by \$863,002 (i.e. net position.) Net position is comprised of Net Investment in Capital Assets of \$748, and Unrestricted Net Position of \$(863,750). Total assets increased by \$13,841 (1%) from December 31, 2017 to 2018. This is primarily due to the current gain on operations.
- Net position increased from 2017 to 2018 by \$6,240. This was due to a decrease in operating expenses.
- In 2017, the IDA repaid the City of Glen Cove (the "City") \$6,489,958, the Environmental Protection Agency \$2,360,000, and the CDA \$2,017,580 which resulted in a decrease in cash and long-term liabilities.
- Operating revenues decreased by \$548,492 (52%) to \$514,907 in 2018 from

\$1,063,399 in 2017. The decrease is primarily due to a certain one time reimbursements of contractual expense in 2017.

- Total operating expenses decreased by \$1,223,887 (70%) to \$516,519 in 2018 from \$1,740,406 in 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements include statements of net position; statements of revenue, expenses and changes in net position; statements of cash flows and notes to the financial statements. The statements of net position include all of the Agency's assets and deferred outflows, liabilities and deferred inflows and provide information about the nature and amount of investments.

The statements of revenue, expenses and changes in net position presents the results of the business activities over the course of the year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change

occurs, regardless of the timing of the related cash flows. This statement also provides information about whether the Agency has successfully recovered its costs through its user fees and other charges, profitability and credit worthiness.

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

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

FINANCIAL ANALYSIS OF THE AGENCY

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

legislation should be considered in evaluating the financial condition of the Agency.

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

NET POSITION

A summary of the Agency's statements of net position at December 31, 2018, 2017 and 2016 is presented in the following table and Charts 1 and 2 on the following page.

	NET POSITION December 31,		
	2018	2017	2016
Assets			
Current and other assets	\$1,024,780	\$1,010,166	\$12,465,735
Capital assets, net	748	1,521	1,705
Total assets	1,025,528	1,011,687	12,467,440
Deferred outflows	27,354	20,224	40,788
Liabilities			
Long-term liabilities	1,731,163	1,387,583	12,241,417
Other liabilities	108,940	176,101	125,847
Total liabilities	1,840,103	1,563,684	12,367,264
Deferred Inflows	75,781	10,939	14,899
Net position			
Net investment in capital assets	748	1,521	1,705
Unrestricted net position	(863,750)	(544,233)	124,360
Total net position	\$(863,002)	\$(542,712)	\$126,065

The amount of current and other assets increased by \$14,614 (1%) from \$1,010,166, in 2017 to \$1,024,780, in 2018. The decrease in 2017 was \$11,455,569 (92%), from \$12,465,735 in 2016 to \$1,010,166 in 2017. The sale of the Waterfront land was the primary reasons for the decreases of the current and other assets.

In 2018, cash and investments accounted for \$981,422 (96%) of the total assets. In 2017, cash and receivables and accounted for \$967,148 (96%) of the total assets.

Total liabilities increased in 2018 by \$276,419 (18%) and decreased in 2017 by \$10,803,580 (87%). The IDA's current liabilities decreased by \$67,161 (38%) from \$176,101, on December 31, 2017, to \$108,940, on December 31, 2018. The increase in total liabilities reflected primarily the change due to implementation of GASB Statement No. 75. Deferred inflows increased in 2018 by \$64,842, (593%) due to changes from the net pension liability and other postemployment benefits.

In 2007, the IDA entered into an agreement with the City regarding the interest on the amounts it owed to the City. The agreement provided for a payment of annual interest on the net amount "due to the City" at the end of each year. All amounts due to the CDA and the City are to be reimbursed upon the sale of the Waterfront Property. For the years ended December 31, 2018 and 2017, the interest rates used to compute the annual interest costs was 4.25% and the amounts of accrued interest, during construction, were \$44,428 and \$80,078, respectively.

CHART 1

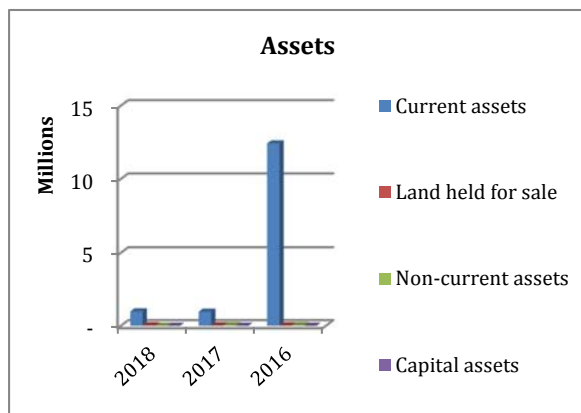
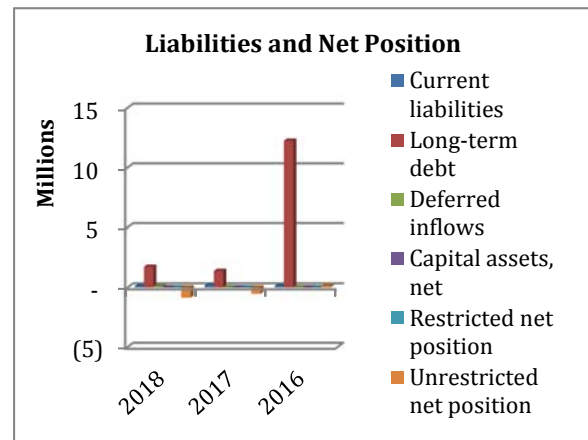


CHART 2



OPERATING RESULTS

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

REVENUE, EXPENSES AND CHANGES IN NET POSITION			
	2018	2017	2016
Revenue			
Fees and other income	\$514,907	\$1,063,399	\$11,310,807
Interest	7,852	8,230	257
Total revenue	522,759	1,071,629	11,311,064
Operating Expenses			
Salaries and benefits	208,665	205,899	187,191
Contractual and other	302,425	840,385	8,274
Redevelopment costs	5,429	694,122	1,596,982
Sale of property, net	-	-	4,199,172
Total expenses	516,519	1,740,406	5,991,619
Increase (decrease) in net position	\$6,240	\$(668,777)	\$5,319,445

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

Total revenues decreased by \$548,870 from \$1,071,629 in 2017 to \$522,759 in 2018.

CHART 3

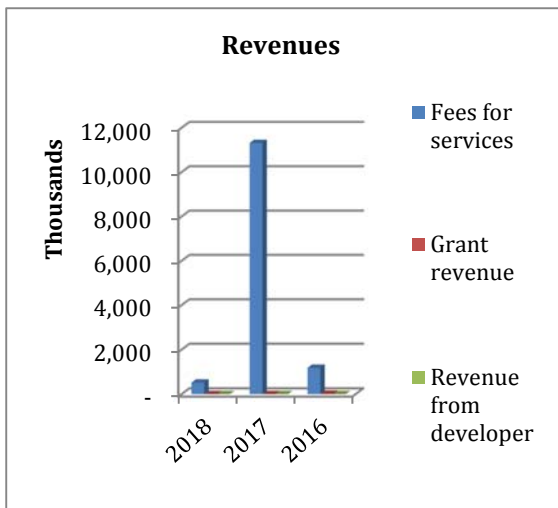
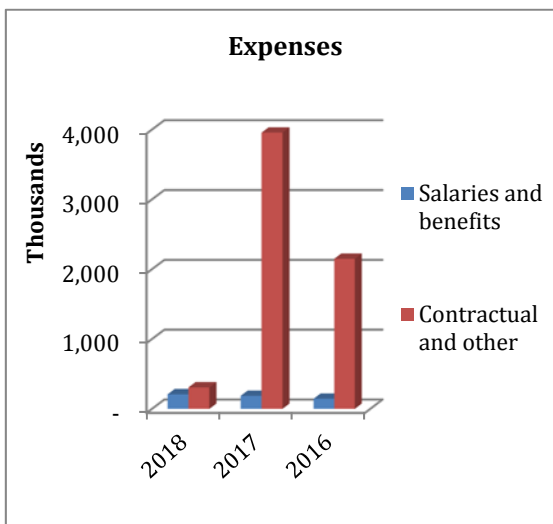


CHART 4



Debt Management

The Agency may issue industrial development revenue bonds that are secured by property, which is leased to companies who had received the bond proceeds. The bonds are retired by lease payments collected from these companies.

The bonds are not obligations of the Agency and the Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts. Its primary

function is to arrange financing between the borrowing companies and the bond and note holders. Trustees or banks acting as fiscal agents control funds arising from these transactions. The Agency monitors the compliance of the organizations with the provisions of the bond contracts. At the end of the year, the Agency had no revenue bonds.

At the December 31, 2017 year end the IDA repaid the City in full \$6,489,958 and also repaid the CDA \$2,017,580. The CDA may pay payroll expenses on behalf of the IDA and then charges the Agency. The CDA funds are obtained from Community Development Block Grant (CDBG). Also, the City may provide loans to the Agency, and pay for personnel and interest expenses pertaining to projects on behalf of the Agency, and charge the Agency for these payments.

The indebtedness to the City and CDA was paid from the proceeds of the sale of Waterfront properties. More information on long-term debt activity can be found in Note 7, "Amounts due to or from the City and CDA."

Contacting the IDA's Financial Management

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

BASIC FINANCIAL STATEMENTS



GLEN COVE INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Glen Cove)
STATEMENTS OF NET POSITION
DECEMBER 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets		
Cash and cash equivalents	\$ 29,009	\$ 437,793
Investments	952,413	502,355
Accounts receivable	-	27,000
Total current assets	<u>981,422</u>	<u>967,148</u>
Noncurrent assets		
Land held for resale	31,650	31,650
Restricted cash	8,220	8,220
Prepaid expense	3,488	3,148
Equipment, net	<u>748</u>	<u>1,521</u>
Total noncurrent assets	<u>44,106</u>	<u>44,539</u>
Total assets	<u>1,025,528</u>	<u>1,011,687</u>
Deferred outflows of resources - pension	<u>27,354</u>	<u>20,224</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses	<u>108,940</u>	<u>176,101</u>
Noncurrent liabilities		
Escrow deposits	8,220	8,220
Compensated absences	17,292	13,043
Other post-employment benefits	653,473	343,109
Net pension liability - proportionate share Due to the City of Glen Cove	3,465	18,926
Community Development Agency (CDA)	<u>1,048,713</u>	<u>1,004,285</u>
Total noncurrent liabilities	<u>1,731,163</u>	<u>1,387,583</u>
Total liabilities	<u>1,840,103</u>	<u>1,563,684</u>
Deferred inflows of resources		
Pensions	29,171	10,939
Other post-employment benefits	<u>46,610</u>	-
Total deferred inflows of resources	<u>75,781</u>	<u>10,939</u>
Net position		
Net investment in capital assets	748	1,521
Unrestricted net position	<u>(863,750)</u>	<u>(544,233)</u>
Total net position	<u>\$ (863,002)</u>	<u>\$ (542,712)</u>

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

GLEN COVE INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Glen Cove)
STATEMENTS OF REVENUE, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenue - fees and other revenue	\$ 514,907	\$ 1,063,399
Operating Expenses:		
Salaries and benefits	208,665	205,899
Contractual expenses	301,652	839,369
Depreciation expense	773	1,016
Redevelopment costs not recoverable	5,429	694,122
Total operating expenses	<u>516,519</u>	<u>1,740,406</u>
Operating loss	(1,612)	(677,007)
Interest income	<u>7,852</u>	<u>8,230</u>
Change in net position	<u>6,240</u>	<u>(668,777)</u>
Net position, January 1, as previously stated	(542,712)	126,065
Cumulative effect of change in accounting principle (note 14)	<u>(326,530)</u>	<u>-</u>
Net position, January 1, as restated	<u>(869,242)</u>	<u>126,065</u>
Net position, December 31	\$ <u><u>(863,002)</u></u>	\$ <u><u>(542,712)</u></u>

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

GLEN COVE INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Glen Cove)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Fees received for services and other revenue	\$ 541,907	\$ 11,403,399
Payment of salaries and benefits	(178,331)	(175,591)
Cash payments to suppliers of goods and services	<u>(330,154)</u>	<u>(12,352,413)</u>
Net cash provided by (used in) operating activities	<u>33,422</u>	<u>(1,124,605)</u>
Cash flows from investing activities:		
Interest income	7,852	8,230
Purchase of investments	(952,413)	(502,355)
Sale of investments	<u>502,355</u>	<u>-</u>
Net cash used in investing activities	<u>(442,206)</u>	<u>(494,125)</u>
Net change in cash and cash equivalents	(408,784)	(1,618,730)
Cash and cash equivalents, beginning of year	<u>437,793</u>	<u>2,056,523</u>
Cash and cash equivalents, end of year	<u>\$ 29,009</u>	<u>\$ 437,793</u>

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

GLEN COVE INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the City of Glen Cove)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017
(CONTINUED)

	<u>2018</u>	<u>2017</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (1,612)	\$ (677,007)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation expenses	773	1,016
Accounts receivable	27,000	10,340,000
Deferred outflows of resources-pension (noncash)	(7,130)	20,564
Prepaid expense	(340)	(806)
Property and equipment	-	(832)
Net pension liability (non-cash)	(15,461)	(17,608)
Accounts payable and accrued expenses	(67,161)	50,254
Other post-employment benefits	(16,166)	27,875
Compensated absences	4,249	3,437
Due to City of Glen Cove CDA	44,428	(2,017,580)
Due to EPA	-	(2,360,000)
Due to the City of Glen Cove	-	(6,489,958)
Deferred inflows of resources - pension (noncash)	18,232	(3,960)
Deferred inflows of resources	<u>46,610</u>	<u>-</u>
Net cash provided by (used in) operating activities	\$ <u>33,422</u>	\$ <u>(1,124,605)</u>

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Capital assets, except land and construction in process, are depreciated over their estimated useful lives.

A. Reporting Entity

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

All significant activities have been included in the Agency's general-purpose financial statements for the years ended December 31, 2018 and 2017. The City of Glen Cove exercises oversight responsibility over the Agency. As such, the Agency is a component unit of the City of Glen Cove. The following criteria regarding the manifestation of oversight were considered by the Agency in its evaluation of the Agency activities:

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

B. Basis of Accounting and Measurement Focus

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

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

C. Cash and Cash Equivalents

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

D. Accounts Receivable

Accounts receivable balances are reflected net of an allowance for doubtful accounts. The allowance for doubtful accounts is the Agency's best estimate of the probable losses in the existing accounts receivable balance. The Agency did not have any doubtful accounts at December 31, 2018 or 2017.

E. Capital Assets and Long-Term Liabilities

Capital Assets

As a proprietary fund, the capital assets and long-term liabilities of the Agency are accounted for on a cost of services or "capital maintenance" measurement focus. This

means that all assets and all liabilities (whether current or noncurrent) associated with its activities are included in net position. As a proprietary fund, the operating statements of the Agency present increases (revenues) and decreases (expenses) in net position.

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

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 3-5 years for equipment.

The Agency's measurement focus on income determination and capital maintenance requires the net amount of interest cost for qualifying assets to be capitalized during the period of construction. The Agency has capitalized the interest expenses related to amounts owed to the City of Glen Cove for the Waterfront Development Project. These were considered in connection with the evaluation of the impairment of the property.

F. Net Position

Unrestricted Net Position

Unrestricted net position represents the amounts available for general use.

G. Operating and Nonoperating Revenues and Expenses

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

Nonoperating revenues - Nonoperating revenues are those revenues that do not meet the definition of operating revenues. Nonoperating revenues include gifts, investment income and insurance reimbursement revenue. Grants, entitlements, or shared revenues received for operations and/or operations or capital acquisitions, sales or construction are reported as "nonoperating" revenues. Operating expenses include depreciation on all fixed assets, salaries and benefits, contractual expenses, and redevelopment costs not recoverable.

H. Compensated Absences - Accumulated Unpaid Vacation and Sick Pay

Accumulated unpaid vacation, sick pay, and other employee benefit amounts are accrued when incurred. At December 31, 2018, the Agency had a deferred compensation liability for accumulated unpaid vacation and sick pay of \$17,292. During 2018, the changes in liabilities for compensated absences were as follows:

COMPENSATED ABSENCES	
Liability for compensated absences, January 1	\$13,043
Additions	11,728
Reductions	(7,479)
Liability for compensated absences, December 31	<u>\$17,292</u>

I. Land held for Development and Resale

The Agency may acquire properties to redevelop and resell. The property values will be carried at the lower cost or estimated realizable value. Properties are periodically reviewed or appraised for impairment and the carrying values are adjusted as necessary.

J. Application of Restricted and Unrestricted Resources

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

K. Post-Employment Benefits

In addition to providing pension benefits, the Agency provides health insurance coverage and survivor benefits for employees and their survivors. Substantially all of the Agency's employees may become eligible for these benefits if they reach normal retirement age while working for the Agency. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year.

During the year, the Agency provided health care coverage for five retired employees covered under the City of Glen Cove Community Development Agency.

During the year ended December 31, 2018, the Board adopted provisions of GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB) with the implementation of GASB Statement No. 75. The method of calculating and recording the OPEB liability has changed significantly and therefore the

Authority has determined the presentation of GASB Statement No. 45 information from the prior year is not warranted. See notes 10 and 14 of the financial statements for the impact of the implementation on the financial statements.

L. Accounting and Financial Reporting for Pensions

During the fiscal year ended December 31, 2015, the IDA adopted the provisions of GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions - an Amendment to GASB Statement No. 27" and GASB Statement No. 71 - "Pension Transitions for Contributions Made Subsequent to the Measurement Date - an Amendment to GASB Statement No. 68." The primary objective of the Statements is to improve accounting and financial reporting by state and local governments for pensions. The implementation of the Statements requires the IDA to report as an asset and/or liability its portion of the collective pension asset and/or liability in the New York State Employees' Retirement System. The implementation of the Statements also requires the IDA to report deferred outflows and inflows for the effect of the net change in the IDA's proportion of the collective net pension asset and/or liability and difference during the measurement period between the IDA's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Also included as deferred outflows are the IDA contributions to the pension systems subsequent to the March 31 measurement date.

M. Standards Issued Not Yet Implemented

GASB Statement No. 83 - "Certain Asset Retirement Obligations." This Statement, issued in November 2016, addresses accounting and financial reporting for certain asset retirement obligations (AROs). Governments that have legal obligations to perform certain future asset retirement activities related tangible capital assets should

recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, which is the fiscal year beginning January 1, 2019 for the IDA. This Statement is not expected to have a material effect on the financial statements of the IDA.

GASB Statement No. 84 - "Fiduciary Activities." This Statement, issued in January 2017, established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement is effective for reporting periods beginning after December 15, 2018, which is the fiscal year beginning January 1, 2019 for the IDA. This Statement is not expected to have a material effect on the financial statements of the IDA.

GASB Statement No. 87 - "Leases." This Statement, issued in June 2017, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019, which is the fiscal year beginning January 1, 2020 for the IDA. Management is in process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the IDA.

GASB Statement No. 88 - "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." This Statement, issued in April of 2018, requires that additional essential information related to debt be disclosed in notes to financial

statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The provisions of this Statement are effective for reporting periods beginning after June 15, 2018, which is the fiscal year beginning January 1, 2019 for the IDA. Management is in the process of evaluating the potential impact of this Statement on the financial statements of the IDA.

GASB Statement No. 89 - "Accounting for Interest Cost Incurred before the End of a Construction Period." This Statement, issued in June 2018, establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" which are superseded by this Statement. The requirements of this Statements are effective for reporting periods beginning after December 15, 2019, which is the fiscal year beginning January 1, 2020 for the IDA. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the IDA.

GASB Statement No. 90 - "Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61." This Statement, issued in August 2018, seeks to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity

interest and sets parameters as to whether a majority equity interest is to be reported as an investment or component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, which is the fiscal year beginning January 1, 2019 for the IDA. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the IDA.

NOTE 2. CASH AND CASH EQUIVALENTS

The Agency's aggregate bank balances of \$140,893 and \$660,933 at December 31, 2018 and 2017, respectively, are secured by deposit insurance provided by the FDIC of \$250,000 for checking and money market accounts; and with securities held by the pledging financial institution's trust department or agent in the Agency's name. Additionally, the Agency had balances of \$952,413 and \$502,355 at December 31, 2018 and 2017, respectively, which were invested in certificates of deposit with original terms of 6 to 12 months, and paying interest rates from 1.80% to 2.62%. These securities are valued using the amortized cost method and have accumulated interest of \$2,413 and \$2,355 at December 31, 2018 and 2017, respectively.

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

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

Interest rate risk. It is the risk that changes in market interest rates will adversely affect the fair value of the investment. Generally, the fair values of investments with longer maturities

are more sensitive to changes in market interest rates. In accordance with its cash management and investment policy, the Agency manages its exposure to declines in fair values by investing its excess cash in money market accounts or certificate of deposits with maturities of less than one year.

Custodial and credit risk. The Agency's bank balances of deposits were either entirely insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized with securities pledged in third party custodial accounts of the pledging financial institutions in the Agency's name.

The collateral amounts are as required to be held according to the Agency's custodial bank agreement at 105%. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. Periodically, the Agency determines that the collateral or underlying securities have an adequate market value and have been segregated.

NOTE 3. ACCOUNTS RECEIVABLE

At December 31, 2017, the IDA had \$27,000, in accounts receivable. All receivables were due for admin fees.

NOTE 4. LAND HELD FOR SALE

The IDA owns sidewalks, driveways, parking lots, walkways, and a landscaped area located in the Village Square, Section 31, Block 85, and Lot 35, which are maintained by the City. The carrying value of these assets is \$31,650 as of December 31, 2018 and 2017.

On November 22, 2016, the IDA sold the Waterfront Properties to RXR Glen Isle Partners, LLC for the Purchase price of \$15M less advances of \$2,401,048 and a receivable of \$2.36M, for net cash received of \$10,238,952. These funds were used to repay the debt owed by the IDA and CDA, to HUD, EPA, Nassau County and the City. The IDA also entered into a Master Tax Agreement, PILOT, with the Redeveloper and received an administrative fee of \$10M.

On November 22, 2016, the IDA and the Glen Cove Local Economic Assistance Corporation, ("the Corporation") entered into a Loan Agreement, whereby the IDA borrowed \$124,562,833 from the Corporation. These funds were raised from a Public Bond Offering of the Corporation, and are being used by the IDA to fund its infrastructure and public amenities obligations, related to the Garvies Point Project. The repayment of the bonds is from the PILOT payments on the property, by the property owners. These Bonds are non-recourse to the City and its Agencies, and are treated as conduit debt by the IDA. After closing, in November 2016, the amount of \$122,515,088, (\$1,244,562,833 less OID of \$2,047,745) was deposited into Bank of NY Mellon.

In 2018, a total of \$7,700,087 was spent, from bond proceeds, for work done on Phase I and Phase II of the Public Amenities, approximately 37% of Phase 1 and 2% of Phase II work was completed. An aggregate of \$12,319,785 has been paid since inception for the Public Amenities. A balance of \$594,313 is owed for Retainage. The IDA hired RXR to be the General Contractor for the Public Amenities Project. In 2018, RXR was paid a construction management fee of \$580,781 and \$363,088 in 2017, calculated at 8% of construction hard costs. The balance of the bond funds for the Public Amenities is \$69,679,395. The bond funds have been invested in Government Securities every 6 months. In 2018, interest earned was \$1,478,958 for an aggregate of \$2,212,595 since the inception of the Bonds in November 2016.

NOTE 5. CAPITAL ASSETS

As of December 31, 2018 and 2017, the capital assets of the IDA were as follows:

CAPITAL ASSETS		
	2018	2017
Equipment	\$ 8,324	\$ 8,324
Less: accumulated depreciation	(7,576)	(6,803)
Total capital assets	<u>\$748</u>	<u>\$1,521</u>

NOTE 6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

For the year ended December 31, 2018, accounts payable and accrued expenses totaled \$108,940 and were composed of professional fees for the Garvies Point project of \$98,346 and accrued expenses for payroll, taxes escrow accounts and audit services totaling \$10,594.

For the year ended December 31, 2017, accounts payable and accrued expenses totaled \$176,101 and were composed of professional fees for the Garvies Point project of \$166,464 and accrued expenses for payroll, taxes escrow accounts and audit services totaling \$9,637.

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

During 2004, the City of Glen Cove, CDA and IDA entered a Tri-party Municipal Cooperation Agreement, regarding sharing of resources and revitalization of the Waterfront properties, (Garvies Point Urban Renewal Area). The Agreement formalized the long standing understanding among the parties and included the following provisions:

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

As of December 31, 2018 and 2017, the following amounts were due to the Community Development Agency:

AMOUNTS DUE TO THE CITY AND CDA

	2018	2017
Due to the CDA for the Waterfront		
Development expenditures financed by:		
CDA's CDBG and other grants	\$1,048,713	\$1,004,285
Less: Forgiveness of debt	-	-
Total due to the CDA	<u>\$1,048,713</u>	<u>\$1,004,285</u>

The amount due to the City was reduced by \$6,489,958 during the year ending December 31, 2017. The amount due to CDA was increased by \$44,428. The increase was paid by the CDA

NOTE 8. COMMITMENTS AND CONTINGENCIES

Development of the Downtown Village Square

In 2016, RXR negotiated a private sale with the Developer for the purchase of the Village Square property. Demolition was completed in 2017 and construction began in 2018.

NOTE 9. PENSION PLANS

(a) Plan Descriptions and Benefits Provided

Employees' Retirement System (ERS)

The CDA participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provision of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State

Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees; Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	<u>ERS</u>
2018	\$13,664
2017	\$12,038
2016	\$7,028

(b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the IDA reported the following liability for its proportionate share

of the net pension liability for ERS. The net pension liability was measured as of March 31, 2018 and 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The IDA's proportionate share of the net pension liability was based on a projection of the IDA's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS in reports provided to the Agency.

Measurement date	3/31/2018	3/31/2017
Net pension liability	\$3,465	\$18,926
District's proportion of the District's net pension liability	0.0002401%	0.0002710%

For the year ended December 31, 2018 and 2017, the IDA recognized pension expense of \$9,305 and \$11,034, respectively, for ERS. At December 31, 2018 and 2017 the amounts allocable to the IDA based upon the CDA's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$2,754	2,228	572	3,469
Changes of assumptions	642	-	3,434	-
Net difference between projected and actual earnings on pension plan investments	11,180	22,214	4,562	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	2,464	4,729	2,212	7,470
District's contributions subsequent to the measurement date	10,314	-	9,444	-
Total	\$27,354	29,171	20,224	10,939

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred

inflows of resources related to pensions at December 31, 2019 will be recognized in pension expense as follows:

<u>Year ending</u>	<u>ERS</u>
2019	(192)
2020	(1,499)
2021	(5,324)
2022	(5,116)
2023	-
Thereafter	-

(c) Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Measurement date	March 31, 2018
Actuarial valuation date	April 1, 2017
Interest rate	7.0%
Salary scale	3.8% Average
Decrement tables	April 1, 2010 - March 31, 2015
	System's Experience
Inflation rate	2.5%
Cost-of-living adjustment	1.3%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

The actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

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 the 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 are summarized below:

<u>Measurement date</u>	<u>March 31, 2018</u>	
	<u>Long-term expected real rate of return*</u>	<u>Target allocation</u>
Asset type:		
Domestic equity	4.55%	36.0%
International equity	6.35%	14.0%
Real estate	5.55%	10.0%
Private equity	7.50%	10.0%
Absolute return strategies	3.75%	2.0%
Opportunistic portfolio	5.68%	3.0%
Real assets	5.29%	3.0%
Bonds and mortgages	1.31%	17.0%
Cash	(0.25%)	1.0%
Inflation - indexed bonds	1.25%	4.0%

*The real rate of return is net of the long-term inflation assumption of 2.50%.

(d) Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the 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.

(e) Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate

The following presents the IDA's proportionate share of the net pension liability

calculated using the discount rate of 7.0%, as well as what the Fund's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension (asset) liability	\$26,217	3,465	(15,782)

(f) Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the respective measurement dates, were as follows:

	(Dollars in Millions)	
Measurement date	3/31/2018	3/31/2017
Employers' total pension liability	\$(183,400)	\$(177,400)
Plan net position	180,173	168,004
Employers' net pension liability	\$(3,227)	\$(9,396)
Ratio of plan net position to the Employers' total pension liability	98.2%	97.4%

(g) Payables to the Pension Plan

Employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Retirement contributions as of December 31, 2018 and 2017 represent the projected employer contribution for the period of April 1, 2018 through March 31, 2019 and April 1, 2017 through March 31, 2018, respectively based on paid ERS wages multiplied by the employer's contribution rate, by tier. These amounts have been recorded as prepaid expenses in the accompanying financial statements.

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

The City of Glen Cove Industrial Development Agency's retiree medical/drug and dental insurance plans are fully insured with the Empire Plan offered through New York State Health Insurance program and Group Health Incorporated. Employees are eligible for these benefits, once they have reached the age of 55 and are hired before July 1, 1973 or either have reached the age of 55 and have 5 years of qualified employment or have 30 years of qualified employment if hired after July 1, 1973. The Agency has agreed to pay the full cost of coverage for such retirees as well as the retiree's spouse and unmarried children. Survivors are covered at full cost for 10 years after the death of the retiree.

The number of participants as of January 1, 2018 was as follows:

Current retirees	5
Active employees	7
	<u>12</u>

Total OPEB Liability

The Authority's total OPEB liability of \$653,473 was measured as of December 31, 2018 and was determined by an actuarial valuation as of December 31, 2018.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.80% on average
Discount rate	3.64%
Healthcare cost trend rates	6.00% for 2018, decreasing to an ultimate rate of 4.50% by 2025

The discount rate was based on the 20 Year Municipal Bond Yield.

Mortality rates used are from the RP-2014 Headcount-weighted Healthy Mortality Tables with White Collar Adjustments, projected Generationally with Scale MP-2018.

Changes in the Total OPEB Liability

Original OPEB liability as of January 1, 2018 (under GASB 45)	\$343,109
Cumulative effect of change in accounting principle (required by GASB 75)	326,530
Total OPEB liability as of January 1, 2018	669,639
Changes for the year:	
Service cost	38,115
Interest	23,020
Changes in assumptions	(53,759)
Benefit payments	(23,542)
Total changes	(16,166)
Total OPEB liability as of December 31, 2018	\$653,473

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the Agency, as well as what the Agency's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64%) or 1-percentage-point higher (4.64%) than the current discount rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total OPEB liability	\$763,531	653,473	566,328

Sensitivity of the total OPEB liability to changes in the healthcare costs trend rates

The following presents the total OPEB liability of the Agency, as well as what the Agency's total OPEB liability would be if it were calculated using a different healthcare cost trend rate that is 1-percent lower (5.00%) or 1-percent higher (7.00%) than the current healthcare cost trend rate:

	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
Total OPEB liability	\$552,281	653,473	783,997

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the Agency recognized OPEB expense of \$53,986. At December 31, 2018, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$-	\$46,610

Amounts reported as deferred inflows of resources related to other postemployment benefits will be recognized as follows:

Year ending	
2019	\$(7,149)
2020	(7,149)
2021	(7,149)
2022	(7,149)
2023	(7,149)
Thereafter	(10,865)
Total	<u>\$ (46,610)</u>

NOTE 11. ESCROW ACCOUNTS

For the year ended December 31, 2018 and 2017, the IDA held \$8,220 in escrow funds for three different projects.

NOTE 12. RISK FINANCING

The Agency is exposed to various risks of losses related to torts; theft, damages to and destruction of assets; omissions; injuries to employees, and natural disasters. The Agency had no such losses in 2018 and 2017. The potential losses in excess of the Agency's resources are covered under the City of Glen Cove policy of self-insurance. The Agency reports claims, expenses and liabilities when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

NOTE 13. SUBSEQUENT EVENTS

The Agency has evaluated the subsequent events and transactions from December 31, 2018 through the date that the financial statements were available to be issued.

NOTE 14. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year ended December 31, 2018, the Agency implemented GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The implementation of this Statement resulted in the reporting of the entire actuarial accrued liability for other postemployment benefits. The Agency's net position at January 1, 2018 has been restated as follows:

Net position at beginning of year, as previously stated	\$(542,712)
GASB Statement No. 75 Implementation - beginning OPEB liability (Note 10)	<u>(326,530)</u>
Net position at end of year, as restated	<u>\$(869,242)</u>

NOTE 15. GOING CONCERN

The City of Glen Cove is committed to ensuring the long-term viability of the Agency. As such, it will continue to provide sufficient resources to ensure that the Agency maintains the ability to honor its obligations as they become due, thus ensuring its ability to continue as a going concern.

**GLEN COVE INDUSTRIAL DEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Adopted Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenue				
Admin fees	\$ 214,000	143,000	143,000	-
Interest	300	7,852	7,852	-
Revenue from developer	-	364,056	371,907	7,851
Total revenue	214,300	514,908	522,759	7,851
Expenses				
Salaries and benefits				
Salaries	108,340	118,077	118,077	-
Benefits	49,391	90,588	90,588	-
Total salaries and benefits	157,731	208,665	208,665	-
Professional fees				
Audit services	7,300	7,300	7,300	-
Engineering and other consultants	-	28,827	41,660	(12,833)
Legal fees - escrow	3,500	252,692	252,692	-
Total professional fees	10,800	288,819	301,652	(12,833)
Administrative expense				
Office expense	12,865	6,202	5,429	(773)
Depreciation	-	-	773	773
Total administrative expenses	12,865	6,202	6,202	-
Total expenses	181,396	503,686	516,519	(12,833)
Change in net position	32,904	11,222	6,240	(4,982)
Net position, January 1, 2018	(869,242)	(869,242)	(869,242)	-
Net position, December 31, 2018	<u>\$ (836,338)</u>	<u>(858,020)</u>	<u>(863,002)</u>	<u>(4,982)</u>

**GLEN COVE INDUSTRIAL DEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE AGENCY'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Total OPEB liability	
Service cost	\$ 38,115
Interest	23,020
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(53,759)
Benefit payments	<u>(23,542)</u>
Net change in total OPEB liability	(16,166)
Total OPEB liability - beginning	<u>669,639</u>
Total OPEB liability - ending	\$ <u>653,473</u>
Covered payroll	\$ 88,803
Total OPEB liability as a percentage of covered payroll	735.87%

Notes to Schedule:

Changes of assumptions - Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each

2018 3.64%

This schedule is presented to illustrate the requirement to show information for 10 years. However, information is presented for those years that are available.

**GLEN COVE INDUSTRIAL DEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AGENCY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Agency's proportion of the net pension liability	0.0002401%	0.0002710%	0.0002276%	0.00012295%	0.0003443%
Agency's proportionate share of the net pension liability	\$3,465	\$18,926	\$36,534	\$11,629	\$15,555
Agency's covered payroll	\$45,574	\$70,647	\$55,390	\$88,566	\$124,849
Agency's proportion of the net pension liability as a percentage of its covered - payroll	7.60%	26.79%	65.96%	13.13%	12.46%
Plan's fiduciary net position as a percentage of the total pension liability	98.2%	97.4%	90.7%	98.0%	97.2%

This schedule is presented to illustrate the requirements to show information for 10 years. However, information is presented for those years that are available.

**GLEN COVE INDUSTRIAL DEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AGENCY'S EMPLOYER PENSION CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$13,664	12,038	7,028	10,749	15,555
Contributions in relation to the contractually required contribution	<u>13,664</u>	<u>12,038</u>	<u>7,028</u>	<u>10,749</u>	<u>15,555</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Agency's covered payroll	\$45,574	70,647	55,390	88,566	124,849
Contributions as a percentage of covered payroll	29.98%	17.04%	12.69%	12.14%	12.46%

This schedule is presented to illustrate the requirements to show information for 10 years. However, information is presented for those years that are available.

OTHER SUPPLEMENTARY INFORMATION



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

This other supplementary information is provided to meet the General Municipal Law 859, the disclosures regarding the Agency's Straight-lease and industrial and civic facilities revenue bonds and notes projects.

GLEN COVE INDUSTRIAL DEVELOPMENT AGENCY NOTES TO SUPPLEMENTARY INFORMATION

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

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

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

The 1992 Series A Bonds, Series B Bonds and the Series B Note, were defeased when the Regency reorganized its debt on April 19, 2016. The Glen Cove Local Economic assistance Corporation issued \$24M of Tax Exempt Bonds and The Regency also received a \$15.5M loan from Municipal Capital Appreciation Partners III (VA), L.P. for a new Alzheimer unit.

On December 15, 2013, the IDA entered into a PILOT agreement with the Regency (Project code 2801-13-02). The term is for 40 years beginning in 2014 and expires December 31, 2049. The IDA received an admin fee of \$118,750. The total projects costs are \$15,500,000 for a new Alzheimer unit which is to be completed in May 2019. In 2016, the Regency paid an additional admin fee \$150K for an extension of the PILOT to run concurrently with the bond issuance. The Regency paid a total PILOT of \$383,682 in

2018 and \$366,809 in 2017 and reported 52 FTE's and 728 Construction jobs in 2018.

The following chart depicts the PILOT payments and tax exemptions for 2018:

PAYMENTS MADE BY THE GC REGENCY		
	<u>PILOT</u>	<u>Exemptions</u>
County	\$42,205	\$39,181
Local	99,757	140,472
School	241,720	334,320
Total	<u>\$383,682</u>	<u>\$513,973</u>

STRAIGHT LEASE AGREEMENTS

A. Avalon Bay Communities, Inc.

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

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

As a part of the agreement, the Company, purchased from the City a property located at Glen Street, Phase II, for \$1,100,000 and paid an option premium of \$900,000. The Company has exercised the option. Nonpayment of fees constitutes default under the agreement.

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

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

In 2018, the payments made by Avalon Bay Phase I, in lieu of taxes (PILOT) and the amount of tax exemptions were as follows:

PAYMENTS MADE BY AVALONBAY PHASE I		
	<u>PILOT</u>	<u>Exemptions</u>
County	\$219,173	\$239,416
Local	438,346	858,346
School	1,028,428	2,042,846
Total	<u>\$1,685,947</u>	<u>\$3,140,608</u>

Avalon Bay Phase II (PILOT) began January 1, 2008. The tax exemptions were as follows for 2018:

PAYMENTS MADE BY AVALONBAY PHASE II		
	<u>PILOT</u>	<u>Exemptions</u>
County	\$109,721	\$83,486
Local	211,604	299,312
School	462,395	712,357
Total	<u>\$783,720</u>	<u>\$1,095,155</u>

Avalon Bay reported 20 FTE's for Phase I and 15 for Phase II for 2018. The IDA received an annual administration fee of \$2,000 for each of the buildings.

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

On August 1, 2011, the Glen Cove IDA entered into a straight Lease Agreement, (“Pilot Agreement”) with Men on The Move–Glen Cove Storage LLC. Code # (2801-11-01), regarding the property located at 88-90 Hazel Street, City of Glen Cove. The total cost of the project was approximately \$7,553,000. MOTM/PRGC is required by the contract to create at least 3 new full time jobs within one year after the scheduled completion date and maintain these jobs throughout the term of the lease. The IDA collects a \$1,000 annual admin fee from MOTM/PRGC. MOTM paid an administrative fee of \$60,148 to the IDA. The PILOT commenced in the tax year 2012-2013 and will last for 10 years. In December 2013, MOTM sold to PR Glen Cove Storage LLC, (“PRGC”) Code # (2801-13-01). The IDA received and admin fee of \$70,375. PRGC beginning in 2014 and are also required to employee 3 full time equivalents. The received and admin fee of \$70,375. PRGC beginning in 2014 and are also required to employee 3 full time equivalents. The total purchase price was \$18,100,000. PRGC in is required under the lease contract and payments in lieu of taxes agreement to make the following future real property taxes payments. PRGC paid a PILOT payment of \$246,446 in 2018 and reported 3 FTE's.

PAYMENTS MADE BY GC STORAGE		
	<u>PILOT</u>	<u>Exemptions</u>
County	\$14,835	\$19,748
Local	63,785	70,802
School	167,826	158,506
Total	<u>\$246,446</u>	<u>\$259,056</u>

C. Straight Lease Agreement with TDG Glen Cove LLC ("TDG") "Glen Cove Movie Theatre"

On December 27, 2013, the IDA entered into a PILOT Agreement with TDG Glen Cove, LLC. (Project code # 2801-12-03) The purchase price was \$5,523,135. The PILOT term is for 15 years and began in 2014. During construction 25 jobs were created and 8 full time positions post construction in the first year. In the second and third years 6 and 7 full time positions, are required respectively, per the lease agreement. The Movie theatre opened in April 2014. TDG paid \$ 70,358 in tax payments for 2018 and reported 45 FTE's. The following are the real property tax payments and tax exemptions:

PAYMENTS MADE BY GC TDG		
	<u>PILOT</u>	<u>Exemptions</u>
County	\$6,167	\$11,788
Local	19,836	42,262
School	42,975	100,582
Total	<u>\$68,978</u>	<u>\$154,632</u>

In December 2014, the IDA closed on a PILOT agreement with Fair Housing Development Corp. ("Stanley Park") Project Code (2801-01-2014). Stanley Park, an existing Low Income Housing project in Glen Cove, completed a 40 year HUD PILOT in 2013 and requested a PILOT for 7 years from the IDA to allow it to repay real estate taxes owed to the City of Glen Cove as well as to prevent a substantial rent increase to its existing tenants. The PILOT for Stanley Park began in 2016 and the IDA received a \$5,000 administrative fee. In 2018, a PILOT payment of \$52,000 was paid. The

following are the real property tax payments and tax exemptions:

PAYMENTS MADE BY FAIR HOUSING		
	<u>PILOT</u>	<u>Exemptions</u>
County	\$7,265	\$40,089
Local	13,735	143,726
School	30,998	342,065
Total	<u>\$51,998</u>	<u>\$525,880</u>

In December 2015, the IDA entered into a lease agreement with 50 Glen Partners LLC. Project code (2801-15-01). The PILOT will began in the 2016-2017 tax year. One full time employee is currently employed and the project cost is \$50,000 and will pay for the construction to build individual office space for rental to other businesses. The IDA received a fee of \$38,250. Taxes were paid in 2017 of \$193,256 instead of the PILOT of \$100,240. The City issued a credit of \$70,083 toward the 2018 PILOT payments for the over payment. A net payment of \$32,162 was made in 2018. Glen Street Partners reported 58 full time equivalents in 2018.

PAYMENTS MADE 50 GLEN PARTNERS		
	<u>PILOT</u>	<u>Exemptions</u>
County	\$9,446	\$12,499
Local	7,208	44,811
School	15,508	102,650
Total	<u>\$32,162</u>	<u>\$159,960</u>

The IDA closed on the Waterfront Revitalization Project in November 2016 for \$15M less debt payments paid by RXR on the IDA's behalf of \$2.4M) for a net sales price of \$12.6M. These funds went to the repayment of loans for the waterfront. The IDA entered into a PILOT agreement with RXR and received and administrative fee of \$10M. The PILOT began in 2017 and will benefit the City of Glen Cove, its citizens and Nassau County by reclaiming blighted industrial waterfront property for public benefit and enjoyment through creating open space, luxury and workforce housing and

retail/office space. RXR's (redeveloper) Garvies Point waterfront destination will bring 460 new jobs during the construction phase of 5-6 years, and 545 jobs post-completion. There will also be new tax revenues and new money infused into the Glen Cove economy.

RXR was invoiced and paid \$1,086,977 for their 2018 PILOT for the Garvies Point project. Project Code (2801-01A-2016). Priority payments of \$406,091 were paid to the authorized tax jurisdictions, \$306,091 was paid to the school and library and \$100,000 was paid to Nassau County. \$32,651 was also paid to MuniCap, the administrator for the bonds, and Bank of New York Mellon, the Bond Trustee, for fees. The remainder of the funds was deposited into a Stabilization fund. These funds will be invested until January 1, 2025. At this time these funds will be used for turbo redemption of the bonds. RXR reported \$2,587,878 in sales tax exemptions, \$639,582 in mortgage recording tax exemptions and 729 construction jobs were created for 2018.

The following chart depicts the priority payments to the tax jurisdictions for RXR Garvies Point Project from 2019-2022:

PRIORITY PAYMENTS MADE TO ATJ	
Tax Year	Amount
2019	\$847,459
2020	1,738,683
2021	2,225,213
2022	2,379,210

On December 28, 2016, the IDA entered into a PILOT agreement with Michael S. Puntillo Development Company, LLC. ("Samuel Pierce") The PILOT began in 2017 and the IDA received an administrative fee of \$40K. In 2018, 1 FTE was reported by the management company.

In 2018, the payments made by Samuel Pierce, in lieu of taxes (PILOT) and the amount of tax exemptions were as follows:

The following is an estimate of priority payments to the tax jurisdictions for RXR Garvies Point Project:

PAYMENTS MADE BY SAMUEL PIERCE		
	PILOT	Exemptions
County	\$3,908	\$29,401
Local	15,073	105,406
School	36,844	250,865
Total	\$55,825	\$385,672

In December 2017, the IDA entered into a PILOT agreement with RXR Village Square. ("RXRVS") Project code (2081-1-2017). The IDA received a fee of \$306,236. The PILOT will begin in the 2019 General and 2019/2020 school years. RXRVS was on the tax rolls for 2018 and reported \$180,501 in sales tax exemptions, \$404,250 in mortgage recording tax exemption and 145 construction jobs were created.

The following chart depicts the PILOT payments from 2019-2024:

PILOT PAYMENTS SCHEDULE	
Tax Year	Amount
2019/2020	\$183,062
2020/2021	183,062
2021/2022	186,723
2022/2023	190,458
2023/2024	194,267

COMPLIANCE SECTION

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



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

Board of Directors and Members
Glen Cove Industrial Development Agency
Glen Cove, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Glen Cove Industrial Development Agency (the IDA), as of and for the year ended December 31, 2018, and the related notes to financial statements, which collectively comprise the IDA's basic financial statements, and have issued our report thereon dated March 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the IDA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the IDA's internal control. Accordingly, we do not express an opinion on the effectiveness of the IDA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the IDA's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the IDA's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the IDA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 27, 2019