

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Financial Statements and
Independent Auditors' Report

May 31, 2021

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Incorporated Village of Hempstead
Community Development Agency:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, its major fund, and the fiduciary fund of the Incorporated Village of Hempstead Community Development Agency (the Agency), a component unit of the Incorporated Village of Hempstead, New York, as of and for the year ended May 31, 2021, and the related notes to financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency'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 Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund and the fiduciary fund of the Incorporated Village of Hempstead Community Development Agency, as of May 31, 2021, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in note 2(b) to the financial statements, the Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84 - "Fiduciary Activities," during the year ended May 31, 2021. Our opinions are 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 3 through 9, 33 and 34, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, which 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 19, 2021, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
November 19, 2021

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Management's Discussion and Analysis

May 31, 2021

The following is a discussion and analysis of the Incorporated Village of Hempstead Community Development Agency's (the Agency) financial performance for the fiscal year ended May 31, 2021. This section is a summary of the Agency's financial activities based on currently known facts, decisions or conditions. It is also based on both the Agency-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the Agency's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- As of May 31, 2021, the Agency reflected total assets and deferred outflows of resources of \$1,709,475, total liabilities and deferred inflows of resources of \$1,977,571 and a net deficit position of \$(268,096) in the Agency-wide financial statements.
- Total operating revenue for the year ended May 31, 2021 was \$1,284,192 and total operating expenses were \$1,127,275 resulting in an operating income of \$156,917.
- As of May 31, 2021, the Agency had an amount due to the Incorporated Village of Hempstead (the Village) of \$1,528,731.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts: required supplementary information including management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include two kinds of financial statements that present different views of the Agency:

- The first two financial statements are Agency-wide financial statements that provide both short-term and long-term information about the Agency's overall financial status.
- The remaining financial statements are fund financial statements that focus on individual parts of the Agency, reporting the Agency's operations in more detail than the Agency-wide financial statements.
- The fund financial statements tell how programs were financed in the short-term as well as what remains for future spending.
- Fiduciary fund financial statements provide information about the financial relationships in which the Agency acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the financial statements.

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Management’s Discussion and Analysis, Continued

Table A-1 summarizes the major features of the Agency’s financial statements, including the portion of the Agency’s activities they cover and the types of information they contain. The remainder of this overview section of Management’s Discussion and Analysis highlights the structure and contents of each of the financial statements.

	Agency-Wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire Agency (except fiduciary funds)	The activities of the Agency that are not fiduciary	Instances in which the Agency administers resources on behalf of someone else
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position (Deficit) • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Change in Fund Balance (Deficit) 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any), both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Management's Discussion and Analysis, Continued

Agency-Wide Financial Statements

The Agency-wide financial statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Agency's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Agency-wide financial statements report the Agency's net position and how they have changed, net position, the difference between the Agency's assets, deferred outflows of resources, liabilities and deferred inflows of resources - is one way to measure the Agency's financial health or position.

- Over time, increases or decreases in the Agency's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Agency's overall health, you need to consider additional non-financial factors such as availability of federal funding, the condition of equipment and other assets.

In the Agency-wide financial statements, the Agency's activities are shown as governmental activities; most of the Agency's basic services are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Agency's funds, focusing on its most significant or "major" funds - not the Agency as a whole. Funds are accounting devices the Agency uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.
- The Agency establishes other funds to control and to manage money for particular purposes or to show that it is properly using certain revenues (such as Federal grants).
- The Agency utilizes the following fund type:
- Governmental fund - All of the Agency's basic services are included in the governmental fund, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the fund financial statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. Because this information does not encompass the additional long-term focus of the Agency-wide financial statements, reconciliations of the Agency-wide and fund financial statements are provided which explain the relationship (or differences) between them.

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Management's Discussion and Analysis, Continued

- Fiduciary fund - The Agency is the trustee or fiduciary, for assets that belong to others. The Agency is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Agency excludes these activities from the Agency-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE

The Agency's net deficit decreased by 36.92% from the year before to a deficit of \$(268,096) as detailed in Tables A-2 and A-3.

Table A-2 - Condensed Statements of Net Position - Governmental Activities

	<u>2021</u>	<u>2020</u>	<u>Increase (decrease)</u>	<u>Percentage Change</u>
Assets:				
Current and other assets	\$ 1,064,415	901,349	163,066	18.09%
Capital assets, net of accumulated depreciation	<u>502,341</u>	<u>402,341</u>	<u>100,000</u>	24.85%
Total assets	1,566,756	1,303,690	263,066	20.18%
Deferred outflows of resources	<u>142,719</u>	<u>187,593</u>	<u>(44,874)</u>	-23.92%
Total assets and deferred outflows of resources	<u>1,709,475</u>	<u>1,491,283</u>	<u>218,192</u>	14.63%
Liabilities:				
Current liabilities	1,735,806	1,598,090	137,716	8.62%
Noncurrent liabilities	<u>17,462</u>	<u>278,856</u>	<u>(261,394)</u>	-93.74%
Total liabilities	1,753,268	1,876,946	(123,678)	-6.59%
Deferred inflows of resources	<u>224,303</u>	<u>39,350</u>	<u>184,953</u>	470.02%
Total liabilities and deferred inflows of resources	<u>1,977,571</u>	<u>1,916,296</u>	<u>61,275</u>	3.20%
Net position:				
Net investment in capital assets	502,341	402,341	100,000	24.85%
Unrestricted (deficit)	<u>(770,437)</u>	<u>(827,354)</u>	<u>56,917</u>	-6.88%
Total net position (deficit)	<u>\$ (268,096)</u>	<u>(425,013)</u>	<u>156,917</u>	-36.92%

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Management’s Discussion and Analysis, Continued

Changes in Net Position

The Agency’s fiscal year 2021 revenue totaled \$1,284,192, which is less than fiscal year 2020 (see Table A-3). Operating grants accounted for all of the Agency’s revenue.

- Operating grants decreased by 5.90%. This decrease is due to the Agency applying for and receiving less grant money during the current fiscal year.

The Agency’s fiscal year 2021 expenses totaled \$1,127,275, which is a decrease of 2.98% from the prior year (see Table A-3). These expenses are entirely related to community development.

Table A-3 - Changes in Net Position from Operating Results - Governmental Activities Only

	<u>2021</u>	<u>2020</u>	<u>Increase (decrease)</u>	<u>Percentage Change</u>
Revenue - program revenue - operating grants	\$ 1,284,192	1,364,704	(80,512)	-5.90%
Expenses - community development	<u>1,127,275</u>	<u>1,161,890</u>	<u>(34,615)</u>	-2.98%
Change in net deficit	156,917	202,814	(45,897)	-22.63%
Total net deficit at beginning of year	<u>(425,013)</u>	<u>(627,827)</u>	<u>202,814</u>	32.30%
Total net deficit at end of year	<u>\$ (268,096)</u>	<u>(425,013)</u>	<u>156,917</u>	36.92%

Governmental Activities

Revenues for the Agency’s governmental fund were consistent with the Agency-wide operating results. Governmental expenditures are greater than Agency-wide expenditures due principally to changes in proportionate share of the net pension liability and the related deferred inflows and outflows of pensions.

The primary program of the activities of the Agency relate to community development.

Substantially all of the Agency’s revenues are generated through the Community Development Block Grants Program which is established by the U.S. Department of Housing and Urban Development (HUD), as administered by the Nassau County Office of Community Development (Nassau County).

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Management’s Discussion and Analysis, Continued

FINANCIAL ANALYSIS OF THE AGENCY’S FUNDS

Variations between years for the fund financial statements are not the same as variations between years for the Agency-wide financial statements. The Agency’s governmental fund is presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, the governmental fund does not include long-term debt liabilities for the Agency’s projects and capital assets purchased by the Agency. The governmental fund will include the proceeds received from the issuance of debt, the current payments for capital assets and the current payments for debt.

The Agency’s fund financial statements show the following variations year over year:

- Total assets increased from \$194,946 at May 31, 2020 to \$267,388 at May 31, 2021. This is a result of the increase in cash and equivalents.
- Total liabilities increased from \$1,598,090 at May 31, 2020 to \$1,735,806 at May 31, 2021. This increase is primarily related to the increases in due to other governments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2021, the Agency had invested \$502,341, net of depreciation, in a broad range of capital assets.

Table A - 4 - Capital Assets (net of depreciation)

	<u>2021</u>	<u>2020</u>	Increase (decrease)	Percentage Change
Land	\$ 502,341	402,341	100,000	24.85%

Long-Term Debt

By the end of 2021, the Agency had \$16,897 in long-term debt associated with the accrual of long-term compensated absences.

Table A-5 - Outstanding Long-Term Debt

	<u>2021</u>	<u>2020</u>	Increase (decrease)	Percentage Change
Compensated absences	\$ 16,897	13,866	3,031	21.86%

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Management's Discussion and Analysis, Continued

FACTORS BEARING ON THE FUTURE OF THE AGENCY

At the time these financial statements were prepared and audited, the Agency was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The Agency's unrestricted net position deficit decreased during the last fiscal year. This position is not sufficient to cover any foreseeable shortfall rising from a possible economic downturn and/or a reduction in subsidies and grants. The Agency may also experience significant cash flow issues in the foreseeable future due to the nature of its operations. Since the Village is financially accountable for the Agency, a going concern uncertainty does not exist.
- The Agency operates in a heavily regulated environment. The operations of the Agency are subject to the administrative directives, rules and regulations of Federal, State, and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related costs, including the additional administrative burden to, comply with change.
- The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences of the COVID-19 virus on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the Agency and its future results and financial position is not presently determinable.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Agency's citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

Incorporated Village of Hempstead
Community Development Agency
50 Clinton Street
Hempstead, New York 11550
(516) 485-5737

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY
Statement of Net Position
May 31, 2021

	<u>Governmental Activities</u>
Assets:	
Current assets:	
Cash and equivalents	\$ 94,915
State and federal aid receivables, net	168,488
Prepaid expenses	<u>3,985</u>
Total current assets	<u>267,388</u>
Noncurrent assets:	
Non-depreciable capital assets	502,341
Property held for resale	<u>797,027</u>
Total noncurrent assets	<u>1,299,368</u>
Total assets	<u>1,566,756</u>
Deferred outflows of resources - pensions	<u>142,719</u>
Liabilities:	
Current liabilities:	
Accounts payable	199,979
Due to Employee's Retirement System	7,096
Due to other governments	<u>1,528,731</u>
Total current liabilities	<u>1,735,806</u>
Long-term liabilities:	
Compensated absences	16,897
Proportionate share of net pension liability	<u>565</u>
Total long-term liabilities	<u>17,462</u>
Total liabilities	<u>1,753,268</u>
Deferred inflows of resources - pensions	<u>224,303</u>
Net position (deficit):	
Net investment in capital assets	502,341
Unrestricted	<u>(770,437)</u>
Total net position (deficit)	<u>\$ (268,096)</u>

See accompanying notes to financial statements.

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY
Statement of Activities
Year ended May 31, 2021

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants</u>	Net (Expense) Revenue and Changes in Net Position - Primary <u>Government Governmental Activities</u>
Community development	<u>\$ 1,127,275</u>	<u>1,284,192</u>	<u>156,917</u>
Change in net position			156,917
Net position (deficit) at beginning of year			<u>(425,013)</u>
Net position (deficit) at end of year			<u>\$ (268,096)</u>

See accompanying notes to financial statements.

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY
Balance Sheet - Governmental Funds
May 31, 2021

Assets

Current assets:

Cash and equivalents	\$ 94,915
State and federal aid receivables, net	168,488
Prepaid expenditures	<u>3,985</u>
Total assets	<u>\$ 267,388</u>

Liabilities, Deferred Inflows of Resources and Fund Balances

Liabilities:

Accounts payable	199,979
Due to Employees' Retirement System	7,096
Due to other governments	<u>1,528,731</u>
Total liabilities	<u>1,735,806</u>

Fund balances:

Nonspendable	3,985
Unassigned	<u>(1,472,403)</u>
Total fund balances	<u>(1,468,418)</u>
Total liabilities and fund balances	<u>\$ 267,388</u>

See accompanying notes to financial statements.

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
May 31, 2021

Total government fund balances		\$(1,468,418)
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The assets consist of:		
Capital assets	\$ 687,476	
Accumulated depreciation	<u>(185,135)</u>	502,341
Long-term assets held for resale are not current financial resources and therefore are not presented in the fund financial statements		
		797,027
Some deferred outflows of resources and deferred inflows of resources are not reported in the funds. These consist of the following:		
Deferred outflows of resources - pensions	142,719	
Deferred inflows of resources - pensions	<u>(224,303)</u>	(81,584)
Long-term liabilities including accrued interest are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term liabilities at year end consist of:		
Compensated absences	(16,897)	
Proportionate share of net pension liability - NYSERS	<u>(565)</u>	<u>(17,462)</u>
Total net position - governmental activities		<u>\$ (268,096)</u>

See accompanying notes to financial statements.

INCORPORATED VILLAGE OF HEMPSTEAD
 COMMUNITY DEVELOPMENT AGENCY
 Statement of Revenue, Expenditures and Changes in Fund Balances -
 Governmental Funds
 Year ended May 31, 2021

Revenue:	
Federal aid	\$ 1,072,641
State and local aid	<u>211,551</u>
Total revenue	<u>1,284,192</u>
Expenditures:	
Community development:	
Administration	420,862
Public facilities and improvements	229,858
Empire state poverty reduction initiative	39,974
Public service	238,969
Safe routes to school	106
Acquisition	253,662
Residential rehabilitation	60,143
Commercial rehabilitation	2,886
Special economic development	15,913
Disposition	46,505
Code enforcement	<u>40,588</u>
Total expenditures	<u>1,349,466</u>
Changes in fund balances	(65,274)
Fund balances at beginning of year	<u>(1,403,144)</u>
Fund balances at end of year	<u><u>\$(1,468,418)</u></u>

See accompanying notes to financial statements.

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY
Reconciliation of the Statement of Revenue, Expenditures and Changes in
Fund Balances - Governmental Funds to the Statement of Activities
Year ended May 31, 2021

Net change in fund balances	\$ (65,274)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	
Property held for resale	190,624
Decreases in the proportionate share of net pension liability reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.	
Employee's Retirement System	264,425
Some items reported as expenditures in the governmental funds are required to be deferred in the statement of net position.	
In the current period those amounts are:	
Deferred inflows of resources - pensions	\$(184,953)
Deferred outflows of resources - pensions	<u>(44,874)</u> (229,827)
Long-term revenue and expense differences:	
In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	
Changes in compensated absences payable	<u>(3,031)</u>
Change in net position of governmental activities	<u>\$ 156,917</u>

See accompanying notes to financial statements.

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY
Statement of Fiduciary Net Position
May 31, 2021

Assets - current assets - cash and equivalents	<u>\$ 5,990</u>
Liabilities - current liabilities - accounts payable	<u>58,023</u>
Net position - restricted for individuals, organizations and other governments	<u>\$(52,033)</u>

See accompanying notes to financial statements.

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY
Statement of Changes in Fiduciary Net Position
May 31, 2021

Revenue - Downtown overlay fees	<u>\$ 211,512</u>
Expenses:	
Administration	744
Architectural and engineering fees	243,820
Legal fees	25,650
Public service	43,656
Small business development	3,793
Village beautification	<u>3,400</u>
Total expenses	<u>321,063</u>
Change in fiduciary net position	(109,551)
Fiduciary net position at beginning of year, as previously stated	-
Cumulative effect of change in accounting principle (note 12)	<u>57,518</u>
Fiduciary net position at beginning of year, as restated	<u>57,518</u>
Fiduciary net position at end of year	<u><u>\$ (52,033)</u></u>

See accompanying notes to financial statements.

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

May 31, 2021

(1) Background and Organization

The Incorporated Village of Hempstead Community Development Agency (the Agency) was established in 1964 as the Urban Renewal Agency of the Incorporated Village of Hempstead (the Village) under the general laws of the State of New York and various local laws. The Agency is a public benefit corporation created by State legislation to promote the safety, health and welfare of the Village's inhabitants and to promote the sound growth and development of the Village. The Board of Directors is the legislative body responsible for overall operations. The Commissioner serves as the Chief Executive Officer and the Financial Officer.

The Agency provides a full range of community development services which include the rehabilitation of both the residential and commercial sectors of the Village, fostering economic growth, providing assistance to public service organizations, eliminating blight and improving opportunities for low and moderate income citizens.

The Agency's unrestricted net position decreased during the last fiscal year and continues to be in a net deficit position. This position is not sufficient to cover any foreseeable shortfall rising from a possible economic downturn and/or a reduction in subsidies and grants. The Agency may also experience significant cash flow issues in the foreseeable future due to the nature of its operations. Since the Incorporated Village of Hempstead is financially accountable for the Agency, a going concern uncertainty does not exist.

(2) Summary of Significant Accounting Policies

The financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

(a) Financial Reporting Entity

The Agency is a component unit of the Village, the primary reporting entity, under the criteria set forth in GASB Pronouncements. The basic, but not the only criterion for inclusion in the Village's financial statements is that the Village is ultimately accountable for the legally separate Agency because it appoints the Board of Directors, the governing body of the Agency, and there is a potential for the Agency to provide specific financial benefits to, or impose financial burdens on the Village.

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(b) Basis of Presentation

During the year ended May 31, 2021, the Agency adopted the provisions of GASB Statement No. 84 - "Fiduciary Activities." The primary objective of this Statement is to improve guidance regarding the indemnification of fiduciary activities for accounting and financial reporting purposes. See note 12 of the financial statements for the impact of the implementation on the financial statements.

(1) Agency-wide Financial Statements

The statement of net position and the statement of activities present financial information about the Agency's governmental activities. These financial statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through Federal aid, State aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital specific.

The statement of activities presents a comparison between direct expenses and program revenues for the Agency's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits and depreciation expense, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

(2) Fund Financial Statements

The fund financial statements provide information about the Agency's funds, including fiduciary funds. Separate financial statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds.

The Agency reports the following major governmental fund:

- Governmental fund - are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental fund is upon the determination of financial position and changes in financial position (the sources, uses and balances of current financial resources). The following is the Agency's governmental fund type:

General Fund - This is the Agency's primary operating fund. It accounts for all financial transactions.

Fiduciary Fund - used to account for assets held by the local government in a trustee or custodial capacity.

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(c) Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses and the related assets, deferred outflows of resources, liabilities and deferred inflows of resources are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

Modified accrual basis - the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Agency considers all revenues reported in the governmental fund to be available if the revenues are collected within a reasonable period of time after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, judgments and claims and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental fund. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Accrual basis - the Agency-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Agency gives or receives value without directly receiving or giving equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Capital assets and long-term liabilities related to these activities are recorded within the funds.

(d) Cash and Equivalents

Cash consists of funds deposited in demand accounts, time deposit accounts and certificates of deposit with maturities of less than three months from the date acquired by the Agency.

(e) Receivables

Receivables include amounts due from Federal, State and other governments or entities for services provided by the Agency. Receivables are recorded and revenues are recognized as earned or as specific program expenditures are incurred.

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(f) Capital Assets

Capital assets are reported at actual cost or estimated historical costs. Where cost could not be determined from the available records, estimated historical cost was used to record the value of the assets. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the Agency-wide financial statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Equipment	\$ 5,000	Straight-line	5 years
Vehicles	\$ 5,000	Straight-line	5 years

(g) Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

(h) Deferred Inflows of Resources

Deferred inflows of resources are defined as an acquisition of net position by the government that is applicable to future periods. Deferred inflows are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred inflows also arise when the Agency receives resources before it has legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the Agency has legal claim to the resources, the deferred inflow is removed and revenues are recorded.

(i) Compensated Absences

Compensated absences consist of unpaid accumulated annual sick leave and vacation. Upon retirement, resignation or death, employees may receive a payment based on unused accumulated sick leave.

Agency employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Pronouncements, the liability has been calculated using the vesting/termination method and accrual for that liability is included in the Agency-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(i) Compensated Absences, Continued

In the fund financial statements, only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you-go basis.

(j) Accrued Liabilities and Long-term Obligations

Payables, accrued liabilities and long-term obligations are reported in the Agency-wide financial statements. In the governmental fund, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from the governmental fund, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year.

Long-term obligations represent the Agency's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the statement of net position.

(k) Net Position

In the Agency-wide financial statements, there are three classes of net position:

- Net investment in capital assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.
- Restricted - consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- Unrestricted - is the amount of net position, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(k) Net Position, Continued

Fund Financial Statements

In the fund financial statements, there are five classifications of fund balance:

- Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.
- Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, granters, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The Agency has no restricted fund balances as of May 31, 2021.
- Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, i.e. the Board. The Agency has no committed fund balances as of May 31, 2021.
- Assigned - Includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. The Agency has no assigned fund balances as of May 31, 2021.
- Unassigned - Includes all other General Fund fund balance that does not meet the definition of the above four classifications and are deemed to be available for general use by the Agency.

Order of Use of Fund Balance

The Agency's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. Assignments of fund balance cannot cause a negative unassigned fund balance.

(l) Use of Estimates

The preparation of financial statements in conformity with GAAP in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas including compensated absences, potential contingent liabilities and useful lives of long-lived assets.

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(3) Explanation of Certain Differences Between Fund Financial Statements and Agency-wide Financial Statements

Due to the differences in the measurement focus and basis of accounting used in the fund financial statements and the Agency-wide financial statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the statement of activities, compared with the current financial resources focus of the fund financial statements.

(a) Total Fund Balance of Governmental Fund vs. Net Position of Governmental Activities

The fund balance of the Agency's governmental fund differs from "net position" of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheet.

(b) Statement of Revenues, Expenditures and Change in Fund Balance (Deficit) vs. Statement of Activities

Differences between the governmental fund statement of revenue, expenditures and change in fund balance and the statement of activities may fall into one of the four broad categories. The categories are shown below:

- Long-term Revenue/Expense Differences - Long-term revenue differences arise because the governmental fund reports revenues only when they are considered "available", whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because the governmental fund reports on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.
- Capital related differences - Capital related differences include the difference between proceeds from the sale of capital assets reported on fund financial statements and the gain or loss on the sale of assets as reported on the statement of activities, and the difference between recording an expenditure for the purchase of capital items in the fund financial statements and depreciation expense on those items as recorded in the statement of activities.
- Long-term debt transaction differences - Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund financial statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(3) Explanation of Certain Differences Between Fund Financial Statements and Agency-wide Financial Statements

(b) Statement of Revenues, Expenditures and Change in Fund Balance (Deficit) vs. Statement of Activities, Continued

- Pension Differences - Pension differences occur as a result of changes in the Agency's proportion of the collective net pension asset/(liability) and differences between the Agency's contributions and its proportionate share of the total contributions to the pension systems.

(4) Stewardship, Compliance and Accountability

The Agency prepares budgets annually for its Community Development Block Grant Program. The Agency submits a tentative budget to the Agency's Board of Directors prior to submission to Nassau County. A public hearing is also held to discuss Community Development Block Grant programs prior to April 1st. The Agency then submits the budget in the form of an application to the Nassau County Office of Community Development (Nassau County) for approval, subject to changes. The Agency's Board of Directors is authorized to enter into amendatory agreements with Nassau County for use of funds within the Block Grant categories.

The Community Development Block Grants program funding supports projects that begin September 1st each year. The expenditures for projects may extend over several fiscal years. A combined comparison of those budgets to actual revenues and expenditures is not considered meaningful and, therefore, has not been included in the accompanying financial statements.

(5) Cash and Equivalents - Custodial Credit, Concentration of Credit and Interest Rate

Custodial credit risk - The risk that in the event of a bank failure, the Agency's deposits may not be returned to it. While the Agency does not have a specific policy for custodial credit risk, New York State statutes govern the Agency's investment policies, as discussed previously in these Notes.

The Agency's aggregate bank balances disclosed in the financial statements were fully covered by depository insurance at year-end.

Credit risk - State law limits investments to those authorized by State statutes.

Interest-rate risk - Interest-rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. Accordingly, such investments would have to be held to maturity to avoid potential loss.

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(5) Cash and Equivalents - Custodial Credit, Concentration of Credit and Interest Rate, Continued

Concentration of credit risk - Credit risk can arise as a result of failure to adequately diversify investments. Concentration risk disclosure is required for positions of five percent or more in securities of a single issuer.

As of May 31, 2021, the Agency did not have any investments subject to credit risk, interest-rate risk, or concentration of credit risk.

(6) Capital Assets

Capital asset balances and activity for the year ended May 31, 2021 were as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions/ Reclassifications</u>	<u>Ending balance</u>
<u>Governmental Activities</u>				
Capital assets that are not depreciated - land	\$ 402,341	100,000	-	502,341
Capital assets that are being depreciated - equipment	185,135	-	-	185,135
Less accumulated depreciation - equipment	<u>(185,135)</u>	<u>-</u>	<u>-</u>	<u>(185,135)</u>
Total historical cost, net	<u>\$ 402,341</u>	<u>100,000</u>	<u>-</u>	<u>502,341</u>

(7) Property Held for Resale

Property held for resale represents property donated to the Agency which is being held for development and resale as affordable housing. Property was valued at the real estate tax appraisal/date of deed transfer plus any rehabilitation expenditures.

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(8) Pension Plan

(a) New York State and Local Retirement System

The Agency participates in the New York State and Local Retirement System (the System). 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 position 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 provisions of the New York State Retirement and Social Security Law. 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 Agency 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 regarding 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 was noncontributory until July 27, 1976. Employees who joined after July 27, 1976 contribute 3.0 percent of their salary for the first ten years of membership and employees who joined on or after January 1, 2010 contribute 3.0 percent to 6.0 percent of their salary for their entire length of service. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the fiscal year ending March 31.

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

At May 31, 2021, the Agency reported the following liability for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2021. The total pension liability used to calculate the net pension liability was determined by the actuarial valuation. The Agency's proportionate share of the net pension liability was based on a projection of the Agency'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 the System in reports provided to the Agency.

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(8) Pension Plan, Continued

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

Measurement date	3/31/2021
Net pension liability	\$565
Corporation's proportion of the System's net pension liability	0.0005678%

For the years ended May 31, 2021, the Agency recognized pension expense of \$1,784. At May 31, 2021, the Agency's proportionate share was 0.0005678% which was a percentage decrease of 0.0004329 from its proportionate share at May 31, 2020. At May 31, 2021, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,905	-
Changes of assumptions	103,955	(1,961)
Net difference between projected and actual earnings on pension plan investments	-	(162,411)
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions	24,763	(59,931)
Contributions subsequent to the measurement date	<u>7,096</u>	<u>-</u>
Total	\$ <u>142,719</u>	(224,303)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of May 31, 2021 will be recognized in pension expense as follows:

Plan's Year Ending May 31:

2022	\$ (22,251)
2023	(13,588)
2024	(13,390)
2025	(39,451)
2026	-
Thereafter	<u>-</u>
Total	\$ (88,680)

The Agency's contributions subsequent to May 31, 2021 measurement date will be recognized as a reduction of the net pension liability in the year ending May 31, 2022.

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(8) Pension Plan, Continued

(c) Actuarial Assumptions

The total pension liability at May 31, 2021 was determined by using an actuarial valuation as noted in the following table, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuation used the following actuarial assumptions:

Measurement date	March 31, 2021
Actuarial valuation date	April 1, 2020
Investment rate of return, net of investment expenses	5.9%
Salary scale	4.4% Average
Decrement tables	April 1, 2015 - March 25, 2020 System Experience
Inflation rate	2.7%

Annuitant mortality rates are based on April 1, 2015 - March 1, 2020 System experience with adjustments for mortality improvements based on the Society of Actuaries Scale MP-2020.

The actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020.

In 2021 the long-term expected 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 return, net of investment expenses 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 the target asset allocation percentage and by adding expected inflation.

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(8) Pension Plan, Continued

(c) Actuarial Assumptions, Continued

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized as follows:

Asset type:	<u>Target Allocation</u>	Long-term <u>Expected Rate of Return*</u>
Domestic equity	32.00%	4.05%
International equity	15.00%	6.30%
Private equity	10.00%	6.75%
Real estate	9.00%	4.95%
Opportunistic/ARS portfolio	3.00%	4.50%
Credit	4.00%	3.63%
Real assets	3.00%	5.95%
Fixed income	23.00%	0.00%
Cash	<u>1.00%</u>	0.50%
	<u>100.00%</u>	

*The real rate of return is net of the long-term inflation assumption of 2.00%.

(d) Discount Rate

The discount rate used to calculate the total pension liability was 5.9%. 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 determined. 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 Assumption

The following presents the Agency's proportionate share of the net pension liability as of May 31, 2021 calculated using the discount rate of 5.9%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.9%) or 1-percentage point higher (6.9%) than the current rate:

	1% Decrease (4.9%)	Current Discount (5.9%)	1% Increase (6.9%)
Proportionate share of the net pension (asset) liability	\$ <u>156,928</u>	<u>565</u>	<u>(143,637)</u>

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(8) Pension Plan, Continued

(f) Pension Plan Fiduciary Net Position

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

	(Dollars in Millions)
Measurement date	3/31/2021
Total pension liability	\$(220,680)
Net position	<u>220,580</u>
Net pension liability	\$ <u>(100)</u>
Net position as a percentage of total pension liability	99.95%

(9) Commitments and Contingencies

(a) Concentrations of Credit Risk Arising From Cash deposits in Excess of Insured Limits

The Agency maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Agency has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

(b) Government Grants

The Agency has received significant federal funding which is subject to audit by agencies of the State and Federal governments. Such audits may result in disallowance and a request for a return of funds to the Federal and State governments.

(c) Leases

In May of 2019, the Agency renewed their rental agreement for office space for an additional three years. This agreement expires on July 31, 2024 and provides for monthly rent payments starting at \$3,614. According to the agreement, the Agency is also responsible for an additional monthly charge of \$371 for electricity. The Agency also maintains operating leases for office equipment expiring in May 2022.

Future minimum rental payments under these leases are as follows:

Year ending <u>May 31,</u>	
2022	\$ 54,697
2023	51,245
2024	52,180
2025	8,723
2026	<u> -</u>
	\$ <u>166,845</u>

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(9) Commitments and Contingencies, Continued

(d) Litigation

The Agency is involved in lawsuits arising from the normal conduct of business. Some of these lawsuits seek damages which may be in excess of the Agency's insurance coverage. However, it is not possible to determine the Agency's potential exposure, if any, at this time.

(10) Subsequent Events

The Agency has evaluated subsequent events through the date of the report, which is the date these financial statements were available to be issued, noting no matters requiring further financial statement disclosure.

(11) Risks and Uncertainties

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences of the COVID-19 virus on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the Agency and its future results and financial position is not presently determinable.

(12) Cumulative Effect of Change in Accounting Principle

For the year ended May 31, 2021, the Agency implemented GASB Statement No. 84 - "Fiduciary Activities." The implementation of this Statement resulted in the presentation of the statement of fiduciary net position and the statement of changes in fiduciary net position. The Agency's fiduciary fund net position at May 31, 2020 has been restated as follows:

Fiduciary net position at beginning of year, as previously stated	\$ -
GASB Statement No. 84 implementation	<u>57,518</u>
Fiduciary net position at beginning of year, as restated	\$ <u>57,518</u>

REQUIRED SUPPLEMENTARY INFORMATION

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of Agency's Proportionate Share of the Net Pension Liability
Year ended May 31, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
The Agency's proportion of the net pension liability	0.0005678%	0.0010007%	0.0005300%	0.0010300%	0.0009800%	0.0009900%	0.0003000%
The Agency's proportionate share of the net pension liability	\$ 565	264,990	37,410	33,000	92,000	158,000	10,000
The Agency's covered payroll	\$ 239,995	210,471	211,824	146,005	165,393	157,905	139,635
The Agency's proportionate share of the net pension liability as a percentage of covered payroll	0.24%	125.90%	17.77%	22.76%	55.76%	100.00%	7.14%
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%

* The amounts presented for each fiscal year were determined (bi-annually) as of March 31st.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Agency is presenting information for those years for which information is available.

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of Agency's Pension Contributions
Year ended May 31, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 37,512	34,294	19,934	30,645	29,761	18,029	24,980	48,393
Contribution in relation to the contractually required contribution	<u>37,512</u>	<u>34,294</u>	<u>19,934</u>	<u>30,645</u>	<u>29,761</u>	<u>18,029</u>	<u>24,980</u>	<u>48,393</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>						
Agency's covered payroll	\$239,995	210,471	211,824	146,005	165,393	157,905	139,635	N/A
Contribution as a percentage of covered payroll	15.63%	16.29%	9.41%	20.99%	17.99%	11.42%	27.89%	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Agency is presenting information for those years for which information is available.

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

The Board of Directors
Incorporated Village of Hempstead
Community Development Agency:

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 governmental activities, its major fund and the fiduciary fund of the Incorporated Village of Hempstead Community Development Agency (the Agency), as of and for the year ended May 31, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated November 19, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given the 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 Agency'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

EFPR Group, CPAs, PLLC

Williamsville, New York
November 19, 2021