

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Financial Statements and
Independent Auditors' Report

May 31, 2022

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Incorporated Village of Hempstead Community Development Agency (the Agency), as of and for the year ended May 31, 2022, and the related notes to financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Agency, as of May 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and information on pages 34 and 35 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 2022 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 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 Agency'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 Agency's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
November 15, 2022

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Management's Discussion and Analysis

May 31, 2022

The following is a discussion and analysis of the Incorporated Village of Hempstead Community Development Agency's (the Agency) financial performance for the year ended May 31, 2022. 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, 2022, the Agency reflected total assets and deferred outflows of resources of \$2,147,385, total liabilities and deferred inflows of resources of \$2,326,859 and a net deficit position of \$179,474 in the Agency-Wide financial statements.
- Total operating revenue for the year ended May 31, 2022 was \$1,250,893 and total operating expenses were \$1,209,721 resulting in an operating gain of \$41,172.
- As of May 31, 2022, the Agency had an amount due to the Incorporated Village of Hempstead (the Village) of \$1,799,414.

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 Revenue, Expenditures and Change in Fund Balance (Deficit) 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of changes in 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 revenue and expenses during year, regardless of when cash is received or paid	Revenue 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 18.66% from the year before to a deficit of \$179,474 as detailed in Tables A-2 and A-3.

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

Table A-2

	<u>2022</u>	<u>2021</u>	<u>Increase (decrease)</u>	<u>Percentage Change</u>
Assets:				
Current and other assets	\$ 1,523,925	1,111,865	412,060	37.06%
Non-depreciable capital assets	<u>502,341</u>	<u>502,341</u>	-	-
Total assets	2,026,266	1,614,206	412,060	25.53%
Deferred outflows of resources	<u>121,119</u>	<u>142,719</u>	<u>(21,600)</u>	(15.13%)
Total assets and deferred outflows of resources	<u>2,147,385</u>	<u>1,756,925</u>	<u>390,460</u>	22.22%
Liabilities:				
Current liabilities	2,073,241	1,735,806	337,435	19.44%
Noncurrent liabilities	<u>46,310</u>	<u>17,462</u>	<u>28,848</u>	165.20%
Total liabilities	2,119,551	1,753,268	366,283	20.89%
Deferred inflows of resources	<u>207,308</u>	<u>224,303</u>	<u>(16,995)</u>	(7.58%)
Total liabilities and deferred inflows of resources	<u>2,326,859</u>	<u>1,977,571</u>	<u>349,288</u>	17.66%
Net position:				
Net investment in capital assets	502,341	502,341	-	-
Unrestricted (deficit)	<u>(681,815)</u>	<u>(722,987)</u>	<u>41,172</u>	5.69%
Total net position (deficit)	<u>\$ (179,474)</u>	<u>(220,646)</u>	<u>41,172</u>	18.66%

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY
Management's Discussion and Analysis, Continued

Changes in Net Position

The Agency's fiscal year 2022 revenue totaled \$1,250,893, which is less than fiscal year 2021 (see Table A-3). Operating grants accounted for all of the Agency's revenue.

- Operating grants decreased by 2.59%. This decrease is due to the Agency applying for and receiving less grant money during the current fiscal year.

The Agency's fiscal year 2022 expenses totaled \$1,209,721, which is an increase of 12.03% 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>2022</u>	<u>2021</u>	<u>Increase (decrease)</u>	<u>Percentage Change</u>
Revenue - program revenue - operating grants	\$ 1,250,893	1,284,192	(33,299)	(2.59%)
Expenses - community development	<u>1,209,721</u>	<u>1,079,825</u>	<u>129,896</u>	12.03%
Change in net deficit	41,172	204,367	(163,195)	(79.85%)
Net deficit at beginning of year	<u>(220,646)</u>	<u>(425,013)</u>	<u>204,367</u>	48.08%
Net deficit at end of year	<u><u>\$ (179,474)</u></u>	<u><u>(220,646)</u></u>	<u><u>41,172</u></u>	18.66%

Governmental Activities

Revenue 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 \$267,388 at May 31, 2021 to \$489,995 at May 31, 2022. This is a result of the increase in state and federal aid receivables.
- Total liabilities increased from \$1,735,806 at May 31, 2021 to \$2,073,241 at May 31, 2022. This increase is primarily related to the increases in due to other governments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of May 31, 2022, the Agency had invested \$502,341, non-depreciable capital assets.

Table A - 4 – Non-depreciable Capital Assets

	<u>2022</u>	<u>2021</u>	<u>Increase (decrease)</u>	<u>Percentage change</u>
Land	\$ 502,341	502,341	-	0.00%

Long-Term Debt

As of May 31, 2022, the Agency had \$46,310 in long-term debt associated with the accrual of compensated absences.

Table A-5 - Outstanding Long-Term Debt

	<u>2022</u>	<u>2021</u>	<u>Increase (decrease)</u>	<u>Percentage change</u>
Compensated absences	\$ 46,310	16,897	29,413	174.07%

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 on a national, regional and local level are unknown, but have 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, 2022

	<u>Governmental Activities</u>
Assets:	
Current assets:	
Cash and equivalents	\$ 44,686
State and federal aid receivables, net	435,977
Prepaid expenses	<u>9,332</u>
Total current assets	<u>489,995</u>
Noncurrent assets:	
Non-depreciable capital assets	502,341
Property held for resale	984,534
Proportionate share of net pension asset	<u>49,396</u>
Total noncurrent assets	<u>1,536,271</u>
Total assets	<u>2,026,266</u>
Deferred outflows of resources - pensions	<u>121,119</u>
Liabilities:	
Current liabilities:	
Accounts payable	257,265
Due to Employees' Retirement System	7,335
Due to other funds	9,227
Due to other governments	<u>1,799,414</u>
Total current liabilities	2,073,241
Long-term liabilities - compensated absences	<u>46,310</u>
Total liabilities	<u>2,119,551</u>
Deferred inflows of resources - pensions	<u>207,308</u>
Net position (deficit):	
Net investment in capital assets	502,341
Unrestricted	<u>(681,815)</u>
Total net position (deficit)	<u><u>\$ (179,474)</u></u>

See accompanying notes to financial statements.

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY
Statement of Activities
Year ended May 31, 2022

<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>\$ 1,209,721</u>	<u>1,250,893</u>	<u>41,172</u>
Change in net position			<u>41,172</u>
Net position (deficit) at beginning of year, as previously stated			(268,096)
Restatement due to correction of error (note 12)			<u>47,450</u>
Net position (deficit) at beginning of year, as restated			<u>(220,646)</u>
Net position (deficit) at end of year			<u>\$ (179,474)</u>

See accompanying notes to financial statements.

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY
Balance Sheet - Governmental Funds
May 31, 2022

Assets

Current assets:

Cash and equivalents	\$ 44,686
State and federal aid receivables, net	435,977
Prepaid expenditures	<u>9,332</u>
Total assets	<u>\$ 489,995</u>

Liabilities and Fund Balances

Liabilities:

Accounts payable	257,265
Due to Employees' Retirement System	7,335
Due to other funds	9,227
Due to other governments	<u>1,799,414</u>
Total liabilities	<u>2,073,241</u>

Fund balances:

Nonspendable	3,985
Unassigned	<u>(1,587,231)</u>
Total fund balances	<u>(1,583,246)</u>
Total liabilities and fund balances	<u>\$ 489,995</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, 2022

Total government fund balances		\$(1,583,246)
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
Certain disbursements previously expended in the governmental funds and invested with pension system are treated as long-term assets and increase net position. The net pension asset - proportionate share for employees' retirement system at year end		
		49,396
Long-term assets held for resale are not current financial resources and therefore are not presented in the fund financial statements		
		984,534
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	121,119	
Deferred inflows of resources - pensions	<u>(207,308)</u>	(86,189)
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		
		<u>(46,310)</u>
Total net position - governmental activities		<u><u>\$ (179,474)</u></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, 2022

Revenue:	
Federal aid	\$ 1,148,487
State and local aid	92,406
Contributions	<u>10,000</u>
Total revenue	<u>1,250,893</u>
Expenditures:	
Community development:	
Administration	281,365
Public facilities and improvements	79,367
American Rescue Plan Act Program	230,664
Empire state poverty reduction initiative	80,513
Public service	146,196
Safe routes to school	81,224
Acquisition	62,889
Residential rehabilitation	332,403
Community outreach	23,180
Disposition	94,105
Code enforcement	<u>1,265</u>
Total expenditures	<u>1,413,171</u>
Changes in fund balances	<u>(162,278)</u>
Fund balances at beginning of year, as previously stated	(1,468,418)
Restatement due to correction of error (note 12)	<u>47,450</u>
Fund balances at beginning of year, as restated	<u>(1,420,968)</u>
Fund balances at end of year	<u><u>\$(1,583,246)</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, 2022

Net change in fund balances	\$(162,278)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report the purchase of property held for resale as expenditures. However, in the statement of activities the cost of those assets is not expenses and instead is capitalized on the statement of net assets	187,507
Increases in the proportionate share of net pension asset reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenue or expenditures in the governmental funds - Employees' Retirement System	49,961
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	\$ 16,995
Deferred outflows of resources - pensions	<u>(21,600)</u> (4,605)
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>(29,413)</u>
Change in net position of governmental activities	<u>\$ 41,172</u>

See accompanying notes to financial statements.

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY
Statement of Fiduciary Net Position
May 31, 2022

Assets:	
Cash and cash equivalents	\$ 5,136
Due from other funds	<u>9,227</u>
Total assets	<u>14,363</u>
Liabilities:	
Accounts payable	6,720
Deferred revenue	<u>10,585</u>
Total liabilities	<u>17,305</u>
Net position - restricted for individuals, organizations and other governments	<u>\$ (2,942)</u>

See accompanying notes to financial statements.

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY
Statement of Changes in Fiduciary Net Position
Year ended May 31, 2022

Revenue:	
Downtown overlay fees	\$ 10,000
Sewer update	<u>170,415</u>
Total revenue	<u>180,415</u>
Expenses:	
Administration	1,000
Architectural and engineering fees	4,735
Legal fees	6,720
Greenhouse shelter	1,500
Sewer update	<u>69,919</u>
Total expenses	<u>83,874</u>
Change in fiduciary net position	<u>96,541</u>
Fiduciary net position at beginning of year, as previously stated	(52,033)
Restatement due to correction of error (note 12)	<u>(47,450)</u>
Fiduciary net position at beginning of year, as restated	<u>(99,483)</u>
Fiduciary net position at end of year	<u>\$ (2,942)</u>

See accompanying notes to financial statements.

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

May 31, 2022

(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 increased during the year ended May 31, 2022 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 Village 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) 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.

(c) 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

(d) 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.

(e) 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.

(f) 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

(g) 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

(h) 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.

(i) 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.

(j) 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

(j) 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.

(k) 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.

(l) 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. The Agency has no restricted net position at May 31, 2022.
- 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

(1) 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, 2022.
- 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, 2022.
- 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, 2022.
- 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.

(m) Use of Estimates

The preparation of financial statements in conformity with GAAP 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 revenue 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, Continued

(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, 2022, 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, 2022 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	\$ 502,341	-	-	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>\$ 502,341</u>	<u>-</u>	<u>-</u>	<u>502,341</u>

(7) Property Held for Resale

Property held for resale represents property acquired by 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 Employees' 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 Asset, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At May 31, 2022, the Agency reported the following asset for its proportionate share of the net pension asset for the System. The net pension asset was measured as of March 31, 2022. The total pension asset used to calculate the net pension asset was determined by the actuarial valuation. The Agency's proportionate share of the net pension asset 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 Asset, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions, Continued

Measurement date	3/31/2022
Net pension asset	\$49,396
Agency's proportion of the System's net pension asset	0.0006043%

For the year ended May 31, 2022, the Agency recognized pension income of \$7,829. At May 31, 2022, the Agency's proportionate share was 0.0006043% which was a percentage decrease of 0.0000365% from its proportionate share at May 31, 2021. At May 31, 2022, 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	\$ 3,741	(4,852)
Changes of assumptions	82,436	(1,391)
Net difference between projected and actual earnings on pension plan investments	-	(161,750)
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions	27,607	(39,315)
Contributions subsequent to the measurement date	<u>7,335</u>	<u>-</u>
Total	\$ <u>121,119</u>	(<u>207,308</u>)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of May 31, 2022 will be recognized in pension expense as follows:

Year ending:

2023	\$ (19,886)
2024	(20,034)
2025	(47,534)
2026	(6,070)
2027	-
Thereafter	<u>-</u>
Total	\$ (<u>93,524</u>)

The Agency's contributions subsequent to May 31, 2022 measurement date will be recognized as an addition to the net pension asset in the year ending May 31, 2023.

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(8) Pension Plan, Continued

(c) Actuarial Assumptions

The total pension asset at May 31, 2022 was determined by using an actuarial valuation as noted in the following table, with update procedures used to roll forward the total pension asset to the measurement date. The actuarial valuation used the following actuarial assumptions:

Measurement date	March 31, 2022
Actuarial valuation date	April 1, 2021
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, 2021 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:

	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return*</u>
Asset type:		
Domestic equity	32.00%	3.30%
International equity	15.00%	5.85%
Private equity	10.00%	6.50%
Real estate	9.00%	5.00%
Opportunistic/ARS portfolio	3.00%	4.10%
Credit	4.00%	3.78%
Real assets	3.00%	5.80%
Fixed income	23.00%	0.00%
Cash	<u>1.00%</u>	(1.00%)
	<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 Asset (Liability) to the Discount Rate Assumption

The following presents the Agency's proportionate share of the net pension asset (liability) as of May 31, 2022 calculated using the discount rate of 5.9%, as well as what the Agency's proportionate share of the net pension asset (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 (<u>4.9%</u>)	Current Discount (<u>5.9%</u>)	1% Increase (<u>6.9%</u>)
Proportionate share of the net pension asset (liability)	\$ (<u>127,144</u>)	<u>49,396</u>	<u>197,603</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 asset of all participating employers as of the respective measurement dates, were as follows:

	(Dollars in Millions)
Measurement date	3/31/2022
Total pension liability	\$(223,875)
Plan net position	<u>232,049</u>
Net pension asset	\$ <u>8,174</u>
Net position as a percentage of total pension asset	103.65%

(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 this lease are as follows:

<u>Year ending</u>	
2023	\$ 51,245
2024	52,180
2025	<u>8,723</u>
	\$ <u>112,148</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 on a national, regional and local level are unknown, but have 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) Correction of Error

Certain adjustments to the 2021 financial statements were required in order to properly state the financial position of the Agency. A summary of the restatements is as follows:

	As previously stated	Adjustments	Restated amounts
Fiduciary net position	\$ <u>(52,033)</u>	<u>(47,450)</u>	<u>(99,483)</u>
Fund balances - unassigned	\$ <u>(1,468,418)</u>	<u>47,450</u>	<u>(1,420,968)</u>
Net position - governmental activities	\$ <u>(268,096)</u>	<u>47,450</u>	<u>(220,646)</u>

REQUIRED SUPPLEMENTARY INFORMATION

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of Agency's Proportionate Share of the Net Pension Asset (Liability)
Year ended May 31, 2022

	<u>2022</u>	<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 asset (liability)	0.0604300%	0.0005678%	0.0010007%	0.0005300%	0.0010300%	0.0009800%	0.0009900%	0.0003000%
The Agency's proportionate share of the net pension asset (liability)	\$ 49,396	(565)	(264,990)	(37,410)	(33,000)	(92,000)	(158,000)	(10,000)
The Agency's covered payroll	\$ 251,845	239,995	210,471	211,824	146,005	165,393	157,905	139,635
The Agency's proportionate share of the net pension asset (liability) as a percentage of covered payroll	19.61%	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 asset (liability)	5.96%	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, 2022

	<u>2022</u>	<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	\$ 42,380	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>42,380</u>	<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	\$251,845	239,995	210,471	211,824	146,005	165,393	157,905	139,635	N/A
Contribution as a percentage of covered payroll	16.83%	15.63%	16.29%	9.41%	20.99%	17.99%	11.42%	17.89%	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, 2022, 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 15, 2022.

Report on 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness (finding 2022-001).

Report on 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.

Agency's Response to the Finding

The Agency's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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 15, 2022

INCORPORATED VILLAGE OF HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Schedule of Findings and Questioned Costs

Year ended May 31, 2022

FINANCIAL STATEMENT FINDING

MATERIAL WEAKNESS

Finding 2022-001

Criteria: The Agency's books and records should allow for the proper recording of financial transactions. The Agency's financial records required numerous adjustments to correct errors.

Condition: The Agency's books and records were not properly stated at year end.

Cause: There is no process and procedures in place to adequately record the activities of the Agency to the general ledger, nor is there an adequate review process to supervise and review the books and records.

Effect: The Agency's books and records were materially misstated prior to our audit.

Recommendation: The Agency should establish policies and procedures to allow for the proper recording of all transactions to the Agency's books and records throughout the year.

Response: The Agency will improve their efforts to ensure an efficient and accurate closing process.