

**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED**  
**MAY 31, 2019**  
**TOGETHER WITH AUDITOR'S REPORTS**

**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
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**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of the  
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, 2019, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

# NawrockiSmith

## ***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, 2019, 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***

### ***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 10, 32 and 33, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board ("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 September 6, 2019, 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.

Melville, New York  
September 6, 2019



**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED MAY 31, 2019**

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, 2019. 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, 2019, the Agency reflected total assets and deferred outflows of resources of \$1,124,153, total liabilities and deferred inflows of resources of \$1,751,980 and a net deficit position of \$627,827 in the Agency-wide financial statements.
- Total operating revenues for the year ended May 31, 2019 were \$992,148 and total operating expenses were \$1,127,665 resulting in an operating deficit of \$135,517.
- As of May 31, 2019, the Agency had an amount due to the Incorporated Village of Hempstead (the "Village") of \$1,283,412.

**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.

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.

**Table A-1: Major Features of the Agency-Wide and Fund 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"> <li>• Statement of Net Position (Deficit)</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Change in Fund Balance (Deficit)</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> </ul>
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

### **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.
- **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 increased by 27.5% from the year before to a deficit of \$627,827 as detailed in Tables A-2 and A-3.

	<u>5/31/19</u>	<u>5/31/18</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Assets:</b>				
Current and other assets	\$ 694,009	\$ 484,054	\$ 209,955	43.4
Capital assets, net of accumulated depreciation	402,341	402,341	-	-
Total assets	1,096,350	886,395	209,955	23.7
Deferred outflows of resources	27,803	96,077	(68,274)	(71.1)
Total assets and deferred outflows of resources	<u>\$ 1,124,153</u>	<u>\$ 982,472</u>	<u>\$ 141,681</u>	14.4

**Table A-2:** Condensed Statements of Net Position - Governmental Activities (cont'd)

	<u>5/31/19</u>	<u>5/31/18</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Liabilities:</b>				
Current liabilities	\$ 1,651,682	\$ 1,288,213	\$ 363,469	28.2
Noncurrent liabilities	48,357	52,779	(4,422)	(8.4)
Total liabilities	1,700,039	1,340,992	359,047	26.8
Deferred inflows of resources	51,941	133,790	(81,849)	(61.2)
Total liabilities and deferred inflows of resources	<u>\$ 1,751,980</u>	<u>\$ 1,474,782</u>	<u>\$ 277,198</u>	18.8
<b>Net position:</b>				
Net investment in capital assets,	\$ 402,341	\$ 402,341	\$ -	-
Unrestricted (deficit)	(1,030,168)	(894,651)	(135,517)	(15.1)
Total net position (deficit)	<u>\$ (627,827)</u>	<u>\$ (492,310)</u>	<u>\$ (135,517)</u>	(27.5)

### **Changes in Net Position**

The Agency's fiscal year 2019 revenues totaled \$992,148, which is higher than fiscal year 2018 (see Table A-3). Operating grants accounted for all of the Agency's revenues (see Table A-4).

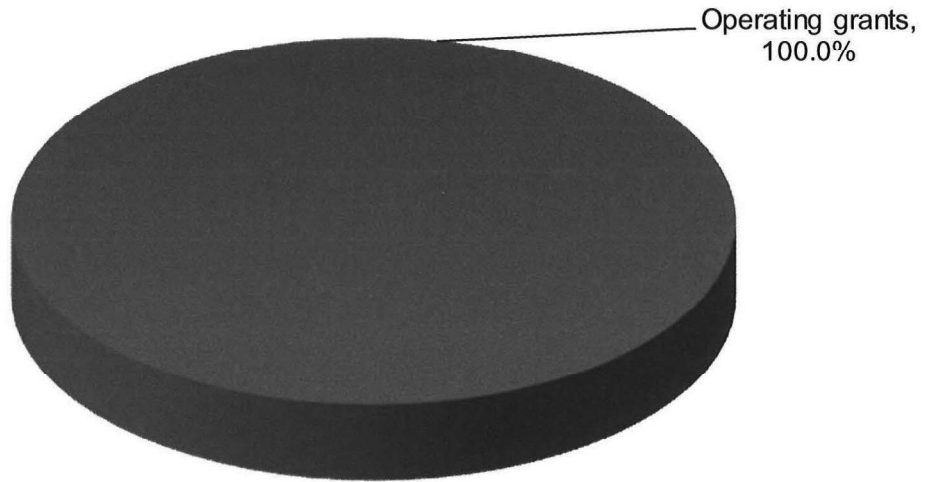
- Operating grants increased by 88.5%. This increase is due to the Agency applying for and receiving additional grant money during the current fiscal year.

The Agency's fiscal year 2019 expenses totaled \$1,127,665, which is an increase of 92.6% from the prior year (see Table A-3). These expenses are entirely related to community development (see Table A-6).

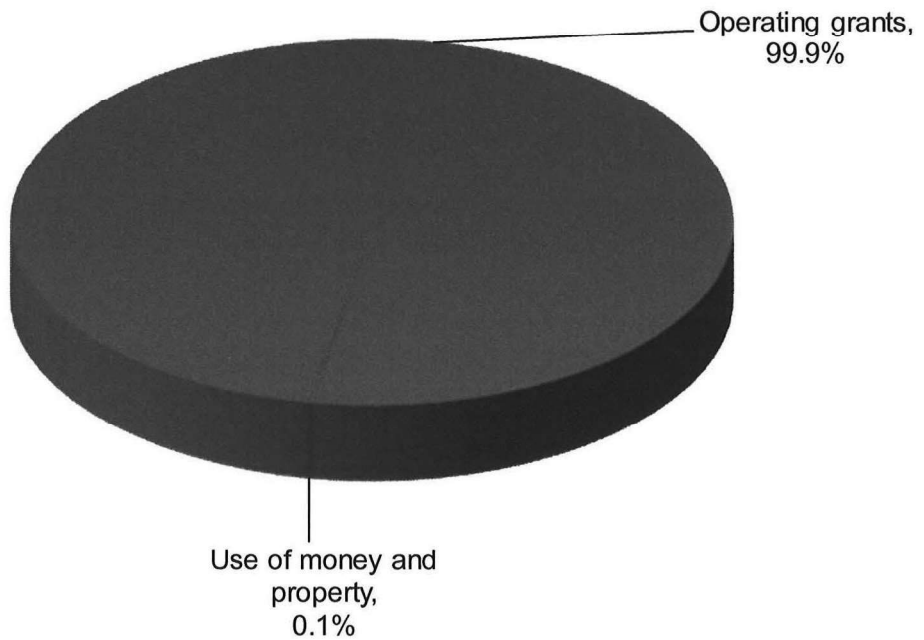
**Table A-3:** Changes in Net Position from Operating Results - Governmental Activities Only

	<u>5/31/19</u>	<u>5/31/18</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Revenues</b>				
Program revenues:				
Operating grants	\$ 992,148	\$ 526,446	\$ 465,702	88.5
General revenues:				
Use of money and property	-	607	(607)	(100.0)
Total revenues	<u>992,148</u>	<u>527,053</u>	<u>465,095</u>	88.2
<b>Expenses</b>				
Community development	<u>1,127,665</u>	<u>585,418</u>	<u>542,247</u>	92.6
Total expenses	<u>1,127,665</u>	<u>585,418</u>	<u>542,247</u>	92.6
Change in net deficit	(135,517)	(58,365)	(77,152)	(132.2)
Total net deficit, beginning of year	<u>(492,310)</u>	<u>(433,945)</u>	<u>(58,365)</u>	(13.4)
Total net deficit, end of year	<u>\$ (627,827)</u>	<u>\$ (492,310)</u>	<u>\$ (135,517)</u>	(27.5)

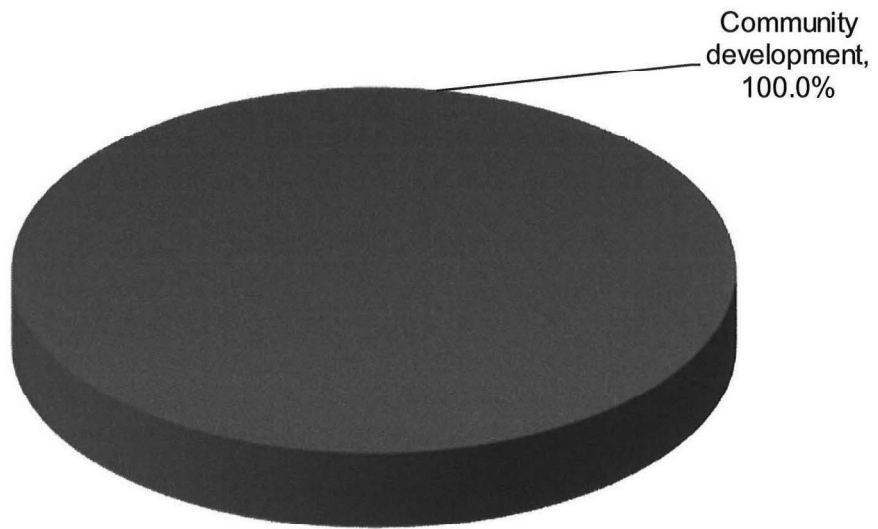
**Table A-4: Sources of Revenues for Fiscal Year 2019**



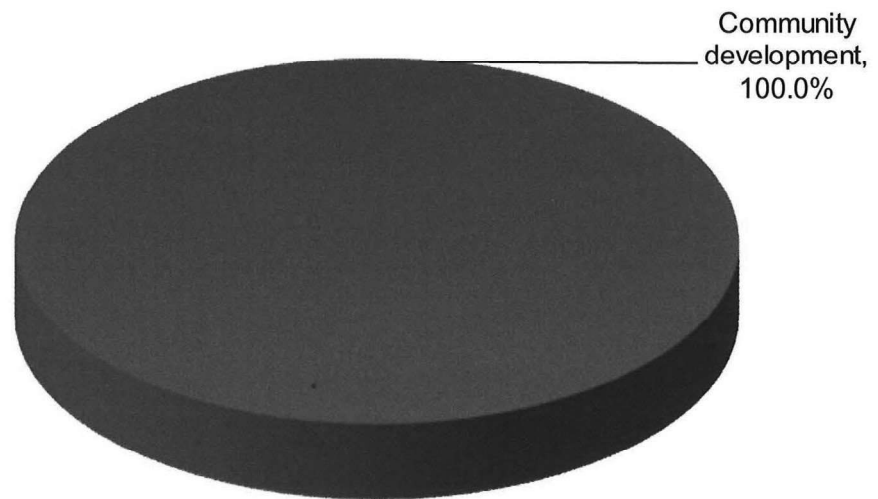
**Table A-5: Sources of Revenues for Fiscal Year 2018**



**Table A-6: Expenses for Fiscal Year 2019**



**Table A-7: Expenses for Fiscal Year 2018**





## Governmental Activities

Revenues for the Agency's governmental fund were consistent with the Agency-wide operating results. Governmental expenditures are less than Agency-wide expenditures due principally to depreciation expense offset by long-term debt payments categorized as reductions of debt, not expenses.

The primary program 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").

## 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 \$184,054 in 2018 to \$394,009 in 2019. This is a result of the increase in state and federal aid receivable.
- Total liabilities increased from \$1,288,213 in 2018 to \$1,651,682 in 2019. This increase is primarily related to the increases in accounts payable and deferred revenue.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

By the end of 2019, the Agency had invested \$402,341, net of depreciation, in a broad range of capital assets.

	<u>5/31/19</u>	<u>5/31/18</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 402,341	\$ 402,341	\$ -	-
Equipment	-	-	-	-
Totals	<u>\$ 402,341</u>	<u>\$ 402,341</u>	<u>\$ -</u>	-

## **Long-Term Debt**

By the end of 2019, the Agency had \$10,947 in long-term debt associated with the accrual of long-term compensated absences.

	<u>5/31/19</u>	<u>5/31/18</u>	<u>\$ Change</u>	<u>% Change</u>
Compensated absences	<u>\$ 10,947</u>	<u>\$ 19,553</u>	<u>\$ (8,606)</u>	(44.0)

## **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 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.
- 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.

## **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 (DEFICIT)**  
**MAY 31, 2019**

**ASSETS**

Current assets:		
Cash and cash equivalents	\$	20,804
Receivables -		
State and federal aid		369,220
Prepaid expenses		3,985
Noncurrent assets:		
Non-depreciable capital assets		402,341
Property held for resale		<u>300,000</u>
Total assets		<u>1,096,350</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Pension related		<u>27,803</u>
Total deferred outflows of resources		<u>27,803</u>

**LIABILITIES**

Current liabilities:		
Accounts payable		265,270
Due to other governments		1,283,412
Due to Employees' Retirement System		5,672
Deferred revenue		97,328
Noncurrent liabilities:		
Long-term liabilities, due after one year:		
Compensated absences		10,947
Proportionate share of net pension liability - NYSERS		<u>37,410</u>
Total liabilities		<u>1,700,039</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources - NYSERS pension related		<u>51,941</u>
Total deferred inflows of resources		<u>51,941</u>

**NET POSITION**

Net investment in capital assets		402,341
Unrestricted (deficit)		<u>(1,030,168)</u>
Total net position (deficit)	\$	<u>(627,827)</u>

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

**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MAY 31, 2019**

	<b>Expenses</b>	<b>Program Revenues Operating Grants</b>	<b>Net (Expense) Revenue and Change in Net Position</b>
Functions and programs:			
Community development	\$ 1,127,665	\$ 992,148	\$ (135,517)
Total functions and programs	\$ 1,127,665	\$ 992,148	(135,517)
Change in net position			(135,517)
Total net deficit, beginning of year			(492,310)
Total net deficit, end of year			\$ (627,827)

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

**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
**BALANCE SHEET - GOVERNMENTAL FUND**  
**MAY 31, 2019**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 20,804
Receivables -	
State and federal aid	369,220
Prepaid expenses	<u>3,985</u>
Total assets	<u>\$ 394,009</u>

**LIABILITIES**

Current liabilities:	
Accounts payable	\$ 265,270
Due to Employees' Retirement System	5,672
Due to other governments	1,283,412
Deferred revenue	<u>97,328</u>
Total liabilities	<u>1,651,682</u>

**FUND DEFICIT**

Fund deficit:	
Nonspendable	3,985
Unassigned	<u>(1,261,658)</u>
Total fund deficit	<u>(1,257,673)</u>
Total liabilities and fund deficit	<u>\$ 394,009</u>

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

**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION (DEFICIT)**  
**MAY 31, 2019**

Total Fund Deficit - Governmental Fund \$ (1,257,673)

Amounts reported for governmental activities in the Statement of Net Position are different due to the following:

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.

Deferred outflows of resources at year-end consisted of:

NYSERS - pension related	\$ 22,131	
Pension contributions made subsequent to the measurement date	<u>5,672</u>	27,803

Capital assets less accumulated depreciation are included in the Statement of Net Position:

Capital assets:		
Non-depreciable	402,341	
Depreciable	185,135	
Accumulated depreciation	<u>(185,135)</u>	402,341

Long-term assets held for resale are not current financial resources and therefore are not presented in the fund financial statements. 300,000

Long-term liabilities applicable to the Agency's governmental activities are not due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position:

Compensated absences		(10,947)
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Proportionate share of net pension liability - NYSERS		(37,410)
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Deferred inflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an inflow of resources until then. Deferred inflows of resources at year-end consisted of:

NYSERS - pension related		<u>(51,941)</u>
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Net Position - Governmental Activities		<u><u>\$ (627,827)</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGE IN FUND BALANCE (DEFICIT) - GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED MAY 31, 2019**

**REVENUES**

Federal aid	\$ 862,139
State and local aid	<u>130,009</u>
 Total revenues	 <u>992,148</u>

**EXPENDITURES**

Community development -	
Administration	335,978
Public facilities and improvements	312,475
Empire state poverty reduction initiative	155,713
Public service	112,153
Safe routes to school	74,125
Acquisition	64,086
Commercial rehabilitation	61,107
Special economic development	14,402
Disposition	11,076
Code enforcement	<u>4,547</u>
 Total expenditures	 <u>1,145,662</u>
 Change in fund deficit	 (153,514)
 Fund deficit, beginning of year	 <u>(1,104,159)</u>
 Fund deficit, end of year	 <u><u>\$ (1,257,673)</u></u>

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

**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
**RECONCILIATION OF GOVERNMENTAL FUND STATEMENT**  
**OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE (DEFICIT) TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MAY 31, 2019**

Net Change in Fund Balance (Deficit) - Governmental Fund	\$ (153,514)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Compensated absences	8,606
Decrease in the proportionate share of net pension asset/liability reported in the Statement of Activities does not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.	<u>9,391</u>
Change in Net Position - Governmental Activities	<u>\$ (135,517)</u>

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



**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**MAY 31, 2019**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 147,238</u>
<b>LIABILITIES</b>	
Other liabilities	<u>\$ 147,238</u>

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

**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**

**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 Incorporated Village of Hempstead Community Development 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 Incorporated Village of Hempstead, 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.

**B. Basis of presentation**

**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:

- a. 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.

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

Agency Fund - used to account for money (and/or property) received and held in the capacity of trustee, custodian or agent.

## 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 cash 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.

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.

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:

1. 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.
2. 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.
3. 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.

Fund financial statements:

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

1. Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The Agency has no nonspendable fund balances as of May 31, 2019.
2. Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, 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, 2019.
3. 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, 2019.
4. 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, 2019.
5. 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 accounting principles generally accepted 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.

### **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 Revenues, Expenditures and Change in Fund Balance (Deficit) and the Statement of Activities may fall into one of the four broad categories. The categories are shown below:

##### 1. 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.

##### 2. 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.

3. 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.

4. 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 CASH 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.

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 5 percent or more in securities of a single issuer.

As of May 31, 2019, 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, 2019 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 402,341	\$ -	\$ -	\$ 402,341
Total nondepreciable capital assets	<u>402,341</u>	<u>-</u>	<u>-</u>	<u>402,341</u>
Capital assets that are depreciated:				
Equipment	<u>185,135</u>	<u>-</u>	<u>-</u>	<u>185,135</u>
Total depreciable capital assets	<u>185,135</u>	<u>-</u>	<u>-</u>	<u>185,135</u>
Less accumulated depreciation:				
Equipment	<u>185,135</u>	<u>-</u>	<u>-</u>	<u>185,135</u>
Total accumulated depreciation	<u>185,135</u>	<u>-</u>	<u>-</u>	<u>185,135</u>
Total capital assets, net	<u>\$ 402,341</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 402,341</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.

## 8. PENSION PLANS

### Plan description

The Agency participates in the New York State and Local Employees' Retirement System ("NYSERS") which is referred to as New York State and Local Retirement System (the "System"). This is a cost-sharing multiple-employer defined benefit retirement system. The net position of the System is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York (the "Comptroller") serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law ("RSSL"). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The 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 may be found at [www.osc.state.ny.us/retire/publications/index.php](http://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, NY 12244.

### Benefits provided

The System provides retirement benefits as well as death and disability benefits.

### *Tiers 1 and 2*

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

### *Tiers 3, 4, and 5*

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

### *Tier 6*

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

#### *Ordinary Disability Benefits*

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

#### *Accidental Disability Benefits*

For all eligible Tier 1 and Tier 2 ERS members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Workers' Compensation benefits received. The benefit for eligible Tier 3, 4, 5 and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

#### *Ordinary Death Benefits*

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

#### *Post-Retirement Benefit Increases*

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for ten years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) NYSERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

#### Contributions

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute 3 percent of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the RSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2019	\$	19,934
2018		30,645
2017		29,761

Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions

At May 31, 2019, the Agency reported a liability of \$37,410 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2018. Update procedures were used to roll forward the pension liability to March 31, 2019. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At May 31, 2019, the Agency's proportion was 0.000528% for NYSERS.

For the year ended May 31, 2019, the Agency recognized pension expense of \$11,896. At May 31, 2019, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources - NYSERS	Deferred Inflows of Resources - NYSERS
	<u>                    </u>	<u>                    </u>
Differences between expected experience and actual experience	\$ 7,367	\$ 2,511
Changes of assumptions	9,403	-
Net difference between projected and actual earnings on pension plan investments	-	9,602
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions	5,361	39,828
Employer contributions made subsequent to the measurement date	<u>5,672</u>	<u>-</u>
Total	<u>\$ 27,803</u>	<u>\$ 51,941</u>

Deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended May 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending May 31:</u>	
2020	\$ (1,960)
2021	(18,467)
2022	(8,807)
2023	(576)
Thereafter	-

## Actuarial assumptions

The total pension liability at March 31, 2019 was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019. The actuarial valuation used the following actuarial assumptions:

Measurement date	March 31, 2019
Actuarial valuation date	April 1, 2018
Interest rate	7.00%
Salary scale	4.20%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience
Inflation rate	2.50%

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

The actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2019 are summarized below:

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return strategies	2.00%	3.75%
Bonds and mortgages	17.00%	1.31%
Cash	1.00%	(0.25%)
Domestic equity	36.00%	4.55%
Inflation-indexed bonds	4.00%	1.25%
International equity	14.00%	6.35%
Opportunistic portfolio	3.00%	5.68%
Private equity	10.00%	7.50%
Real assets	3.00%	5.29%
Real estate	10.00%	5.55%
	<u>100.00%</u>	

### Discount rate

The discount rate used to calculate the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### 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 calculated using the discount rate of 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	<u>1% Decrease (6.0%)</u>	<u>Current assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
Employer's proportionate share of the net pension liability (asset)	\$ 163,565	\$ 37,410	\$ (68,568)

### Pension plan fiduciary net position

The components of the current-year net pension liability of the employers as of March 31, 2019, were as follows:

	(Dollars in Thousands)
	<u>NYSERS</u>
Employers' total pension liability	\$ 189,803,429
Plan net position	<u>(182,718,124)</u>
Employers' net pension liability	<u>\$ 7,085,305</u>
Ratio of plan net position to the Employers' total pension liability	96.27%

## **9. COMMITMENTS AND CONTIGENCIES**

### 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.

### 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.

## Leases

On May 17, 2016, 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 May 31,	
2020	\$ 53,862
2021	54,745
2022	54,772
2023	51,321
2024	52,259
2025	4,361
	<u>\$ 271,320</u>

## 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 September 6, 2019, which is the date these financial statements were available to be issued, noting no matters requiring further financial statement disclosure.

REQUIRED  
SUPPLEMENTARY  
INFORMATION

**INCORPORATED VILLAGE OF HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY  
SCHEDULE OF AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NYSERS**

**LAST TEN FISCAL YEARS\***

(Dollar amounts in thousands)

	2019	2018	2017	2016	2015	**2014	**2013	**2012	**2011	**2010
Agency's proportionate share of the net pension liability	0.00053%	0.00103%	0.00098%	0.00099%	0.00030%	N/A	N/A	N/A	N/A	N/A
Agency's proportionate share of the net pension liability	\$ 37	\$ 33	\$ 92	\$ 158	\$ 10	N/A	N/A	N/A	N/A	N/A
Agency's covered payroll	\$ 210	\$ 146	\$ 165	\$ 158	\$ 140	N/A	N/A	N/A	N/A	N/A
Agency's proportionate share of the net pension liability as a percentage of covered payroll	17.77%	22.76%	55.76%	100.00%	7.14%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.68%	97.95%	N/A	N/A	N/A	N/A	N/A

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

Not Available = N/A

**\*\*Note to Required Supplementary Information**

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



INCORPORATED VILLAGE OF HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY  
SCHEDULE OF AGENCY'S PENSION CONTRIBUTIONS - NYSERS  
LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015	2014	*2013	*2012	*2011	*2010
Contractually required contribution	\$ 19,934	\$ 30,645	\$ 29,761	\$ 18,029	\$ 24,680	\$ 48,393	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	19,934	30,645	29,761	18,029	24,680	48,393	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A
Agency's covered-employee payroll	\$ 211,824	\$ 146,005	\$ 165,393	\$ 157,905	\$ 139,635	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	9.41%	20.99%	17.99%	11.42%	17.67%	N/A	N/A	N/A	N/A	N/A

Not Available = N/A

**\*Note to Required Supplementary Information**

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



**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S 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**

To the Board of Directors of the  
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, 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated September 6, 2019.

***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") to determine the 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 responses that we consider to be a material weakness, see Finding 19-01.

# NawrockiSmith

## ***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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

## ***Agency's Response to Findings***

The Incorporated Village of Hempstead Community Development Agency's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Melville, New York  
September 6, 2019



**INCORPORATED VILLAGE OF HEMPSTEAD**  
**COMMUNITY DEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED MAY 31, 2019**

**FINDINGS - FINANCIAL STATEMENT AUDIT**

**Material Weakness**

**Finding: 19-01\* (*Repeated Finding*)**

Criteria: The Agency's books and records should allow for the proper recording of financial transactions, specifically grant expenditures and related revenue and receivables.

Condition: The Agency's books and records were not properly closed 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.