

Town of Islip Community Development Agency

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

Financial Statements

June 30, 2020

Town of Islip Community Development Agency

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

Financial Statements

June 30, 2020

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Islip Community Development Agency (Agency), a component unit of the Town of Islip, New York, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Agency as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2021, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Agency's internal control over financial reporting and compliance.

BST & Co. CPAs, LLP

Albany, New York
March 2, 2021



Town of Islip Community Development Agency

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

Management's Discussion and Analysis June 30, 2020

Introduction

As management of the Town of Islip Community Development Agency (the Agency), we offer readers of the Agency's basic financial statements this narrative analysis of the Agency's financial performance and an overview of the Agency's financial activities for the fiscal year ended June 30, 2020.

This discussion and analysis include comparative data for the fiscal years ended June 30, 2020 and 2019. We encourage readers to consider the information presented here in conjunction with additional information obtainable from the Agency's basic financial statements.

Overview of the Town of Islip Community Development Agency

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

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

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

Financial Highlights

- The Agency acquired six properties at a cost of \$630,756. These properties will be rehabilitated and resold as affordable housing. Total additions capitalized to property held for sale net of impairments was \$1,390,950.
- The Agency sold three properties for a total sales price of \$1,018,000.
- The Agency issued \$1,025,000 in new rehabilitation loans and mortgages, of which \$120,000 were considered soft subsidized mortgages to be forgiven if the borrower resides in their home for a minimum of ten years.
- The Agency's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$27,653,371 (net position). Of this amount, \$1,2889,147 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The Agency's net position increased by \$474,812, or 1.75% from \$27,178,559 on June 30, 2019 to \$27,653,371, on June 30, 2020.
- At the close of the current fiscal year, the Agency's governmental funds reported combined fund balances of \$9,365,119, an increase of \$755,185, or 8.8% in comparison with the prior year.

Town of Islip Community Development Agency

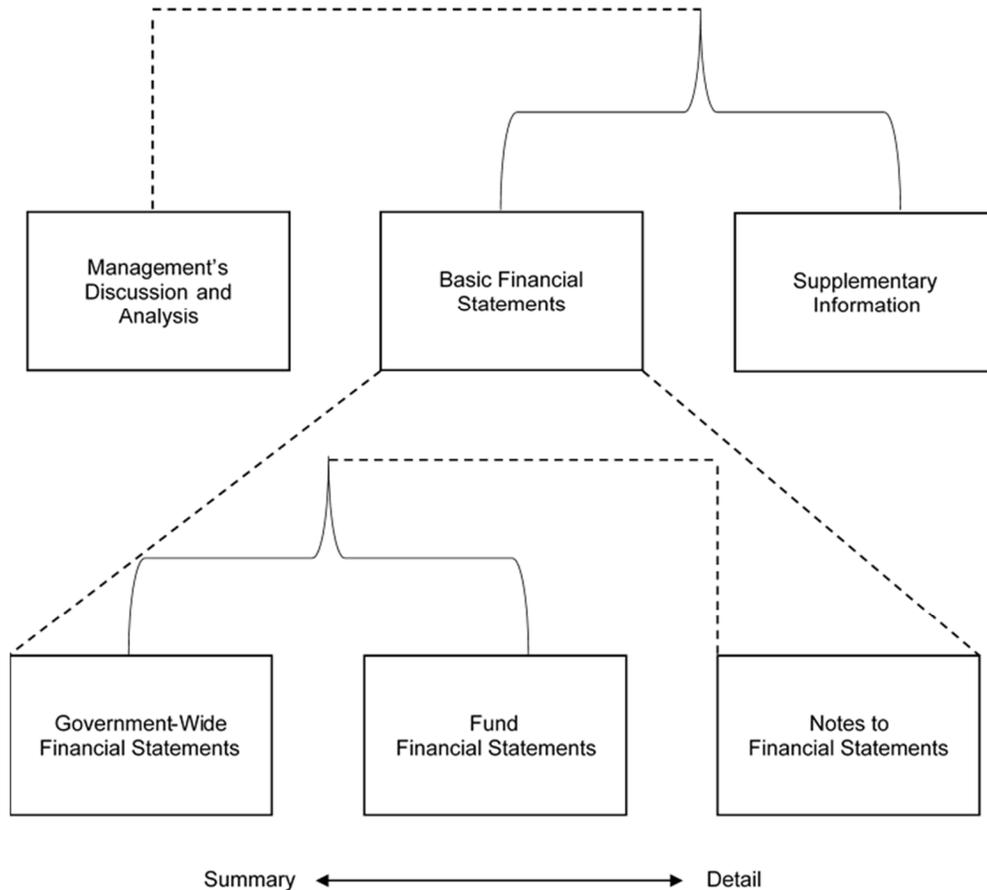
(A Component Unit of the Town of Islip, New York)

Management's Discussion and Analysis June 30, 2020

Overview of the Basic Financial Statements

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

Components of the Annual Financial Report



Government-wide Financial Statements

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

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

Town of Islip Community Development Agency

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

Management's Discussion and Analysis June 30, 2020

Government-wide Financial Statements - Continued

Both of the government-wide financial statements comprehend all the functions of the Agency which are principally supported by intergovernmental revenues (governmental activities). The governmental activities of the Agency include residential and commercial rehabilitation, public service, public facilities improvement, code enforcement, and general administration. The government-wide financial statements are presented on pages 11 and 12.

Fund Financial Statements

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

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

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

During the year ended June 30, 2020, the Agency maintained seven individual governmental funds:

- General Fund;
- Community Development Block Grant Fund (CDBG);
- Home Investment Partnership Program Fund (HOME);
- Housing Opportunities for Persons with AIDS Fund (HOPWA);
- Neighborhood Stabilization Fund (NSP), Neighborhood Stabilization 3 Fund (NSP3); and
- Emergency Solutions Program Funds.

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

The fund financial statements are presented on pages 14 to 16 of this report.

Town of Islip Community Development Agency

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

Management's Discussion and Analysis June 30, 2020

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 to 38 of this report.

Required Supplementary Information

The Agency has prepared certain supplementary information that is required to accompany the basic financial statements in accordance with U.S. GAAP. This information includes schedules for other postemployment benefits and net pension liabilities (pages 39 to 41).

Other Supplementary Information

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

Government-Wide Financial Analysis

Summary of Net Position

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$27,653,371, at the close of the most recent fiscal year.

| | June 30, | | | |
|---------------------------------|----------------------|----------------------|-------------------|-------------|
| | 2020 | 2019 | \$ Change | % Change |
| Current assets | \$ 10,759,887 | \$ 10,396,939 | \$ 362,948 | 3.5% |
| Non-current assets | 22,337,088 | 22,520,321 | (183,233) | -0.8% |
| Total assets | 33,096,975 | 32,917,260 | 179,715 | 0.5% |
| Deferred outflows of resources | 934,638 | 107,974 | 826,664 | 765.6% |
| Current liabilities | 824,123 | 1,184,436 | (360,313) | -30.4% |
| Non-current liabilities | 5,036,014 | 4,488,214 | 547,800 | 12.2% |
| Total liabilities | 5,860,137 | 5,672,650 | 187,487 | 3.3% |
| Deferred inflows of resources | 518,105 | 174,025 | 344,080 | 197.7% |
| Net position | | | | |
| Investment in capital assets | 1,638,560 | 1,750,754 | (112,194) | -6.4% |
| Restricted for federal programs | 24,725,664 | 24,143,973 | 581,691 | 2.4% |
| Unrestricted | 1,289,147 | 1,283,832 | 5,315 | 0.4% |
| Total net position | \$ 27,653,371 | \$ 27,178,559 | \$ 474,812 | 1.7% |

Town of Islip Community Development Agency

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

Management's Discussion and Analysis June 30, 2020

Government-Wide Financial Analysis - Continued

Summary of Net Position - Continued

Overall, the Agency's total assets remained relatively consistent year over year. Deferred outflows of resources increased significantly due to a change in the discount rate when measuring the Agency's other postemployment benefits obligation. Decreases in current assets largely stem from investments in the Agency's property held for resale. Property sales are generally converted to mortgage receivables held by the Agency until maturity. Subsidized mortgages are fully reserved for as the Agency anticipates the buyer will qualify for loan forgiveness.

Current liabilities decreases are attributed to accounts payable, which vary from year to year depending upon timing and the nature of ongoing projects. Increases in long-term liabilities relate to the Agency's recording of OPEB and net pension liability obligations, both of which are actuarially determined.

Net position increased approximately \$475,000, or 1.75% compared to the prior year. At the end of the current fiscal year, the Agency is able to report positive balances in all reported categories of net position. The same situation held true for the prior fiscal year.

Changes in Net Position

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

| | Years Ended June 30, | | | |
|--------------------------------------------|----------------------|----------------------|-------------------|----------------|
| | 2020 | 2019 | \$ Change | % Change |
| Revenues | | | | |
| Charges for services | \$ 2,109,888 | \$1,702,593 | \$ 407,295 | 23.9% |
| Operating grants and contributions | 4,136,767 | 3,239,395 | 897,372 | 27.7% |
| Investments earnings | 42,972 | 24,864 | 18,108 | 72.8% |
| Total revenue | 6,289,627 | 4,966,852 | 1,322,775 | 26.6% |
| Expenses | | | | |
| Residential rehabilitation | 4,060,386 | 3,881,473 | 178,913 | 4.61% |
| Other programs | 917,856 | 766,471 | 151,385 | 19.75% |
| General and administration | 836,573 | 877,736 | (41,163) | -4.69% |
| Total expenses | 5,814,815 | 5,525,680 | 289,135 | 5.23% |
| Increase (decrease) in net position | 474,812 | (558,828) | 1,033,640 | -185.0% |
| NET POSITION, beginning of year | 27,178,559 | 27,737,387 | (558,828) | -2.01% |
| NET POSITION, end of year | \$ 27,653,371 | \$ 27,178,559 | \$ 474,812 | 1.75% |

The grant revenues of the Agency are expenditure driven. During the year ended June 30, 2019, total grant revenues increased by \$897,371 (27.7%), as compared to the previous year. The Agency's HOME grant revenue increased by \$86,624 (19.4%), and CDBG grant revenue increased by \$842,980 (63.4%). HOPWA grant revenue decreased by \$52,728 (4.0%).

Charges for services are dependent upon the timing of property sales, including gains or losses. During 2020, the Agency recognized more revenue from property held for sale. This increase was offset by mortgage interest repayments.

Town of Islip Community Development Agency

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

Management's Discussion and Analysis June 30, 2020

Total program expenses decreased primarily due to HOPWA and HOME. Program expenses will vary from year to year due to the timing of residential rehabilitation projects. The decrease in HOPWA was due to a change in primary administrator from the Agency to the Town of Riverhead (as discussed in Note 10 to the financial statements).

Financial Analysis of the Government's Funds

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

On June 30, 2020, the Agency's governmental funds reported combined ending fund balances of \$9,365,119, an increase of \$755,185 (8.8%) from the prior year. The increase was primarily due to the net effects of CDBG, which increased in total fund balance by \$555,951.

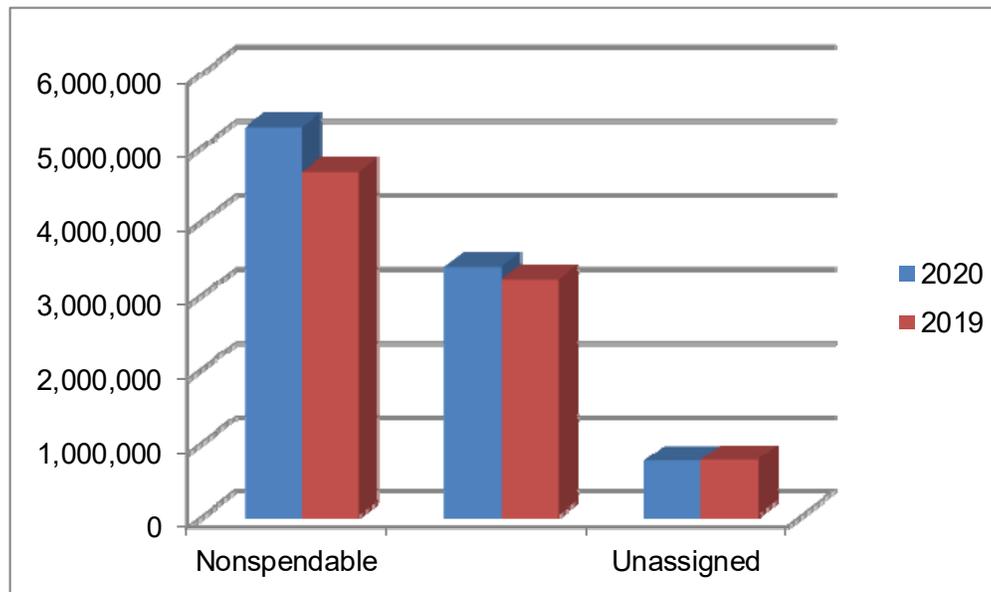
The nonspendable fund balance, which relates to the prepaid expenditures and properties held for sale, was \$5,255,539 on June 30, 2020, as compared to \$4,655,129, on June 30, 2019. The restricted fund balances of the various funds increased by \$164,926 (5.2%) from \$3,200,769, on June 30, 2019, to \$3,365,695, on June 30, 2020.

The Agency's unassigned fund balance decreased by \$10,151 (1.3%) to \$743,885 at June 30, 2020; unassigned fund balance is not subject to Federal restrictions, and therefore, may be used for discretionary expenditures within the Agency's mission.

Of the Agency's total expenditures, \$5,875,780, residential rehabilitation and development expenditures accounted for \$4,193,091 (71.4%), general and administrative expenses accounted for \$795,982 (13.5%), and remaining program expense accounted for \$887,707 (15.1%).

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

Components of Fund Balance (in thousands)



Town of Islip Community Development Agency

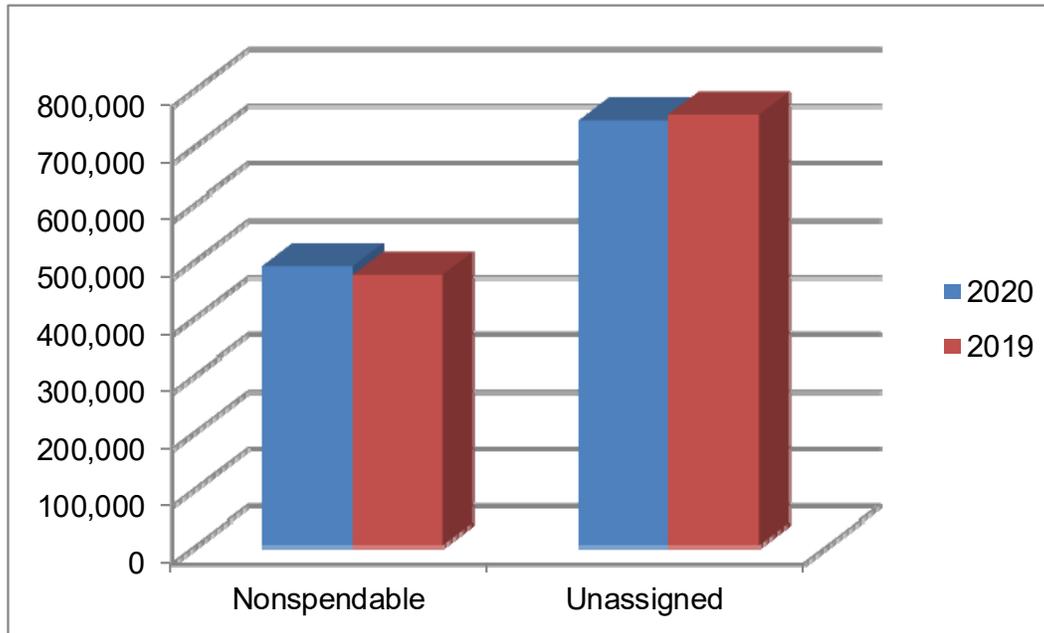
(A Component Unit of the Town of Islip, New York)

Management's Discussion and Analysis June 30, 2020

Financial Analysis of the Government's Funds - Continued

Components of Fund Balance (in thousands) - Continued

At June 30, 2020, the General Fund had a fund balance of \$1,233,242, which represents 13.2% of all governmental fund balances. Of this amount, \$489,357 relates to prepaid items and properties held for sale and are nonspendable. The remaining \$743,885 is unassigned.



The CDBG Fund accounts for the receipt and expenditure of restricted grant proceeds under the U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant program. The CDBG fund has a fund balance at year-end of \$3,135,495, restricted to eligible CDBG expenditures. This is an expenditure driven grant; revenues are only recognized when qualifying grant expenditures are made.

During the current year, the total CDBG Grant revenue, program income and interest income were \$3,909,828, and the total expenditures were \$3,353,877. The result was \$555,951 increase in the fund balance.

The HOME Fund accounts for the receipt and expenditure of the Home Investment and Partnership Funds. The HOME Fund had a balance at year-end of \$1,048,925, all of which is considered nonspendable or restricted to eligible HOME program expenditures. This is an expenditure driven grant; revenues are only recognized when qualifying grant expenditures are made. Fund balance increased by \$80,885 from the previous year, primarily due to comparatively lower residential rehabilitation and development expenditures, which can fluctuate from year to year.

The HOPWA Fund accounts for the receipt and expenditure of HOPWA program funds to address the specific needs of persons living with HIV/AIDS and their families. The HOPWA Fund had a fund balance at year-end of \$103, all of which is considered non-spendable or restricted to eligible HOPWA program expenditures. This is an expenditure driven grant; revenues are only recognized when qualifying grant expenditures are made. The HOPWA Fund revenues were \$1,281,487 and expenditures were \$1,281,390, resulting in a \$243 decrease in the fund balance during the year ended June 30, 2020.

Town of Islip Community Development Agency

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

Management's Discussion and Analysis June 30, 2020

Capital Assets

As of June 30, 2020, the Agency's investment in capital assets amounts to \$1,638,560 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. The Agency did not have any capital asset additions or dispositions during the fiscal year. Depreciation charges were \$112,194.

Additional information on the Agency's Capital Assets can be found in Note 5 of the Notes to the Financial Statements on page 27. Capital assets as of June 30, 2020 and 2019 were as follows:

| | June 30, | |
|-------------------------------|---------------------|---------------------|
| | 2020 | 2019 |
| Land | \$ 625,505 | \$ 625,505 |
| Buildings and improvements | 4,050,706 | 4,050,706 |
| Machinery and equipment | 158,155 | 158,155 |
| | <u>4,834,366</u> | <u>4,834,366</u> |
| Less accumulated depreciation | <u>(3,195,806)</u> | <u>(3,083,612)</u> |
| Total capital assets, net | <u>\$ 1,638,560</u> | <u>\$ 1,750,754</u> |

Economic Factors

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

Contacting the Agency's Financial Management

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

Town of Islip Community Development Agency

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

Government-Wide Financial Statements Statement of Net Position

| | June 30, 2020 |
|-----------------------------------------------------------|-----------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 4,115,285 |
| Escrow cash | 241,423 |
| Prepaid expenses | 111,207 |
| Due from other governments | 407,765 |
| Accounts and mortgages receivable, net, current portion | 726,552 |
| Other receivables | 13,323 |
| Property held for sale | 5,144,332 |
| Accounts and mortgages receivable, net, long-term portion | 20,698,528 |
| Capital assets | |
| Non-depreciable | 625,505 |
| Depreciable, net | 1,013,055 |
| Total assets | <u>33,096,975</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows of resources, pensions | 298,185 |
| Deferred outflows of resources, OPEB | 636,453 |
| | <u>934,638</u> |
| LIABILITIES | |
| Accounts payable and accrued expenses | 426,804 |
| Escrow liability | 241,412 |
| Compensated absences due in one year | 155,907 |
| Long-term liabilities | |
| Other postemployment benefits | 4,299,191 |
| Net pension liability | 388,687 |
| Compensated absences, due in more than one year | 348,136 |
| | <u>5,860,137</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows of resources, pensions | 24,051 |
| Deferred inflows of resources, OPEB | 494,054 |
| | <u>518,105</u> |
| NET POSITION | |
| Investment in capital assets | 1,638,560 |
| Restricted to federal programs | 24,725,664 |
| Unrestricted | 1,289,147 |
| | <u>27,653,371</u> |
| Total net position | <u>\$ 27,653,371</u> |

See accompanying Notes to Financial Statements.

Town of Islip Community Development Agency

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

Government-Wide Financial Statements Statement of Activities

| Functions/Programs | Year Ended June 30, 2020 | | | Net Revenue (Expense) and Change in Net Position Governmental Activities |
|----------------------------------------|--------------------------|-------------------------|------------------------------------------|-----------------------------------------------------------------------------------------|
| | Expenses | Program Revenues | | |
| | | Charges for Services | Operating Grants and Contributions | |
| Home and community functions | | | | |
| Residential rehabilitation | \$ 4,060,386 | \$ 2,109,888 | \$ 2,890,743 | \$ 940,245 |
| Commercial rehabilitation | 315,714 | - | 224,225 | (91,489) |
| Public service programs | 486,582 | - | 345,578 | (141,004) |
| Public facilities improvement | 12,047 | - | 8,556 | (3,491) |
| Code enforcement | 103,513 | - | 73,517 | (29,996) |
| General and administration | 836,573 | - | 594,148 | (242,425) |
| Total home and community functions | \$ 5,814,815 | \$ 2,109,888 | \$ 4,136,767 | 431,840 |
| GENERAL REVENUES | | | | |
| Interest and other income | | | | 42,972 |
| CHANGE IN NET POSITION | | | | 474,812 |
| NET POSITION, beginning of year | | | | 27,178,559 |
| NET POSITION, end of year | | | | \$ 27,653,371 |

See accompanying Notes to Financial Statements.

Town of Islip Community Development Agency

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

Fund Financial Statements Balance Sheet - Governmental Funds

| | June 30, 2020 | | | | | |
|----------------------------------------|---------------------|----------------------------------------------|-------------------|--------------------------------------------|-----------------------|--------------------------------|
| | General Fund | Home Investment Partnership Program | HOPWA Program | Community Development Block Grant | Other Governmental | Total Governmental Funds |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 743,948 | \$ 49,999 | \$ 103 | \$ 3,154,450 | \$ 166,785 | \$ 4,115,285 |
| Escrow cash | 149,491 | 37,566 | - | 43,466 | 10,900 | 241,423 |
| Due from other governments | - | 12,192 | 172,966 | 151,547 | 71,060 | 407,765 |
| Accounts and mortgages receivable, net | 55,905 | 6,704,766 | - | 11,870,525 | 2,793,884 | 21,425,080 |
| Other receivables | - | 13,323 | - | - | - | 13,323 |
| Property held for sale | 488,987 | 967,709 | - | 3,014,025 | 673,611 | 5,144,332 |
| Prepaid expenditures | 370 | 17,894 | - | 89,768 | 3,175 | 111,207 |
| Due from other funds | - | - | - | 10 | - | 10 |
| | \$ 1,438,701 | \$ 7,803,449 | \$ 173,069 | \$ 18,323,791 | \$ 3,719,415 | \$ 31,458,425 |
| LIABILITIES | | | | | | |
| Accounts payable | \$ - | \$ 7,986 | \$ 172,966 | \$ 120,542 | \$ 70,844 | \$ 372,338 |
| Pension plan payable | 74 | 4,206 | - | 49,970 | 216 | 54,466 |
| Due to other funds | - | - | - | - | 10 | 10 |
| Liability for client escrow deposits | 149,480 | 37,566 | - | 43,466 | 10,900 | 241,412 |
| Total liabilities | 149,554 | 49,758 | 172,966 | 213,978 | 81,970 | 668,226 |
| DEFERRED INFLOWS | | | | | | |
| Unavailable resources | 55,905 | 6,704,766 | - | 11,870,525 | 2,793,884 | 21,425,080 |
| FUND BALANCES | | | | | | |
| Nonspendable | 489,357 | 985,603 | - | 3,103,793 | 676,786 | 5,255,539 |
| Restricted to Community Development | - | 63,322 | 103 | 3,135,495 | 166,775 | 3,365,695 |
| Unassigned | 743,885 | - | - | - | - | 743,885 |
| Total fund balances | 1,233,242 | 1,048,925 | 103 | 6,239,288 | 843,561 | 9,365,119 |
| | \$ 1,438,701 | \$ 7,803,449 | \$ 173,069 | \$ 18,323,791 | \$ 3,719,415 | \$ 31,458,425 |

See accompanying Notes to Financial Statements.

Town of Islip Community Development Agency

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

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

| | <u>June 30, 2020</u> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|
| Total Governmental Fund Balances | \$ 9,365,119 |
| <i>Amounts reported for Governmental Activities in the statement of net position are different because</i> | |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 1,638,560 |
| Mortgages receivable that are not available to pay the current-period expenditures are deferred inflows in the funds. | 21,425,080 |
| Pension and OPEB related deferred outflows and inflows of resources are not current period expenditures and are therefore excluded from the governmental funds. | |
| Deferred outflows - Pension | 298,185 |
| Deferred outflows - OPEB | 636,453 |
| Deferred inflows - Pension | (24,051) |
| Deferred inflows - OPEB | (494,054) |
| Some liabilities (listed below) are not due and payable in the current period and, therefore, are not reported in the funds | |
| Other postemployment benefits liability | (4,299,191) |
| Net pension liability | (388,687) |
| Compensated absences | (504,043) |
| Net position of Governmental Activities | <u><u>\$ 27,653,371</u></u> |

Town of Islip Community Development Agency

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

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

| | Year Ended June 30, 2020 | | | | | |
|----------------------------------------------------------|--------------------------|----------------------------------------------|------------------|--------------------------------------------|-----------------------|--------------------------------|
| | General Fund | Home Investment Partnership Program | HOPWA Program | Community Development Block Grant | Other Governmental | Total Governmental Funds |
| REVENUES | | | | | | |
| Federal aid | \$ - | \$ 534,240 | \$ 1,281,487 | \$ 2,172,045 | \$ 142,003 | \$ 4,129,775 |
| Departmental income | | | | | | |
| Other program income | 420 | 1,940 | - | 3,795 | 837 | 6,992 |
| Sub-recipient program income | - | - | - | 280,000 | - | 280,000 |
| Repayment of mortgages and interest | - | 419,905 | - | 865,870 | 150,564 | 1,436,339 |
| Rental income | - | 186,985 | - | 560,103 | - | 747,088 |
| Use of money and property | | | | | | |
| Interest income | 14,346 | - | - | 28,015 | - | 42,361 |
| Other income | - | - | - | - | 611 | 611 |
| Total revenues | 14,766 | 1,143,070 | 1,281,487 | 3,909,828 | 294,015 | 6,643,166 |
| EXPENDITURES | | | | | | |
| Residential rehabilitation | - | 885,208 | 1,281,390 | 1,866,209 | 160,284 | 4,193,091 |
| Public facilities improvement | - | - | - | 305,000 | - | 305,000 |
| Public service programs | - | - | - | 470,069 | - | 470,069 |
| Commercial rehabilitation | - | - | - | 11,638 | - | 11,638 |
| Code enforcement | - | - | - | 100,000 | - | 100,000 |
| General and administration | 9,451 | 176,977 | 340 | 600,961 | 20,454 | 808,183 |
| Total expenditures | 9,451 | 1,062,185 | 1,281,730 | 3,353,877 | 180,738 | 5,887,981 |
| Excess (deficiency) of revenues over expenditures | 5,315 | 80,885 | (243) | 555,951 | 113,277 | 755,185 |
| FUND BALANCES, beginning of year | 1,227,927 | 968,040 | 346 | 5,683,337 | 730,284 | 8,609,934 |
| FUND BALANCES, end of year | \$ 1,233,242 | \$ 1,048,925 | \$ 103 | \$ 6,239,288 | \$ 843,561 | \$ 9,365,119 |

See accompanying Notes to Financial Statements.

Town of Islip Community Development Agency

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

Fund Financial Statements

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

| | <u>Year Ended June 30, 2020</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|
| Net change in fund balances - total governmental funds | \$ 755,185 |
| <i>Amounts reported for Governmental Activities in the statement of activities are different because:</i> | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | |
| Depreciation expense | (112,194) |
| For governmental funds, mortgages made that are not expected to be repaid in the near future are offset with deferred inflows whereas mortgages made are considered project expenditures, and mortgages collected are considered current year revenue. However, on the statement of activities only interest earnings are reported as revenue. | |
| Mortgages made during the year | 1,025,000 |
| Uncollectible 10-year recapture mortgages | (120,000) |
| Mortgages collected during the year | (978,539) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. | |
| Change in other postemployment benefits liability, net of deferred amounts | 56,712 |
| Change in net pension liability, net of deferred amounts | (63,520) |
| Change in compensated absences | (87,832) |
| | <hr/> |
| Change in net position of governmental activities | <u>\$ 474,812</u> |

Town of Islip Community Development Agency

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

Notes to Financial Statements June 30, 2020

Note 1 - Summary of Significant Accounting Policies

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

a. Financial Reporting Entity

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

The Agency has been designated by the Town to administer its federally funded programs from the U.S. Department of Housing and Urban Development. These programs include:

- Community Development Block Grant Program;
- Home Investment Partnership Program;
- Neighborhood Stabilization Grant Programs;
- Emergency Solutions Grant Program; and
- Housing Opportunities for Persons with AIDS Program.

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

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

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

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

Town of Islip Community Development Agency

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

Notes to Financial Statements June 30, 2020

Note 1 - Summary of Significant Accounting Policies - Continued

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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

Town of Islip Community Development Agency

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

Notes to Financial Statements June 30, 2020

Note 1 - Summary of Significant Accounting Policies - Continued

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

Special Revenue Funds - Continued

- Home Investment Partnership Program Fund - This special revenue fund accounts for the receipt and disbursement of funds related to the U.S. Department of Housing and Urban Development (HUD) funded Home Investment Partnership Program Funds (HOME). HOME provides grants often in partnership with local nonprofit groups to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people. The Agency supplements HOME fund expenditures with Community Development Block Grant (CDBG) funds. Rental income is used by the HOME fund or is transferred to the CDBG fund for eligible expenditures.
- HOPWA Program Fund - This special revenue fund accounts for the receipt and disbursement of funds related to the HUD funded Housing Opportunities for Persons with AIDS Grant (HOPWA) program. The HOPWA Program was established by HUD to address the specific needs of persons living with HIV/AIDS and their families. HOPWA makes grants to local communities, states, and nonprofit organizations for projects that benefit low-income persons medically diagnosed with HIV/AIDS and their families.
- Community Development Block Grant Fund - This special revenue fund accounts for the receipt and disbursement of funds related to the HUD funded CDBG program. The CDBG program works to ensure decent affordable housing, to provide services to the most vulnerable in our communities, and to create jobs through the expansion and retention of businesses. The CDBG Fund is comprised of the following five sub-funds:
 - CDBG Fund – This CDBG fund accounts for the receipt and disbursement of funds related to Community Development Block Grants from the HUD funded CDBG program and the related program incomes.
 - RUM Fund – The Rental Unit Management fund (RUM) accounts for the receipts and disbursements of funds related to eight residential units owned by the Agency in the College Woods area of the Town of Islip.
 - ATC Fund – The Applied Technology Center fund (ATC) accounts for the receipts and disbursements of funds related to the Applied Technology Center (business incubator) in Bay Shore.
 - EIC Fund – The East Islip Congregate fund (EIC) accounts for the receipts and disbursements of funds related to the 18 housing units located at Harwood Avenue in East Islip, New York. These units are rented to Section 8 Housing Voucher recipients.
 - 911 Lowell Avenue Fund – This fund accounts for the receipts and disbursements of funds related to the construction of senior citizen apartments to house six senior citizens in their own studio apartments in Central Islip.

Town of Islip Community Development Agency

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

Notes to Financial Statements June 30, 2020

Note 1 - Summary of Significant Accounting Policies - Continued

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

Non-Major Funds

- Emergency Solutions Grant (ESG) Fund – This special revenue fund accounts for the receipt and disbursement of funds related to the HUD funded Emergency Shelter program. The Emergency Shelter Grants program provides homeless persons with basic shelter and essential supportive services. It can assist with the operational costs of the shelter facility and for the administration of the grant. ESG also provides short-term homeless prevention assistance to persons at imminent risk of losing their own housing due to eviction and foreclosure.
- The Neighborhood Stabilization Program (NSP) Fund – This special revenue fund accounts for the receipt and disbursement of grant funds authorized under Division B, Title III of the Housing and Economic Recovery Act (HERA) of 2008. The funds are provided for the purpose of stabilizing communities that have suffered from foreclosures and abandonment.
- The Neighborhood Stabilization Program 3 (NSP3) Fund – This special revenue fund accounts for receipts and expenditures of grant funds authorized under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) of 2010.

d. Budgetary Information

The Agency annually develops and submits its Consolidated Plan to HUD. The Consolidated Plan is the Agency's comprehensive planning document and application for funding under the CDBG, HOME, HOPWA, and ESG grants.

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

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

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

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

Town of Islip Community Development Agency

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

Notes to Financial Statements June 30, 2020

Note 1 - Summary of Significant Accounting Policies - Continued

d. Budgetary Information - Continued

The Agency utilizes an encumbrance system as a management control technique to assist in controlling expenditures. All appropriations lapse at the end of the fiscal year. The amount of outstanding encumbrances was not material as of June 30, 2020.

e. Cash, Cash Equivalents, and Investments

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

The Agency reports all investments at fair value, which is defined as the price that would be received to sell an asset in an orderly transaction between market participants on the measurement date. The Agency follows State statutes, which require the Agency to invest in obligations guaranteed by the U.S. Treasury or its agencies and general obligations of the State of New York and its municipalities. The Agency did not have any investments in the year ended June 30, 2020.

f. Prepaid Expenditures/Expenses

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

g. Capital Assets

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

Management periodically reviews long-lived assets for impairment to determine whether any events or circumstances indicate the carrying value of the assets may not be recoverable. No impairment was identified during the year ended June 30, 2020.

Town of Islip Community Development Agency

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

Notes to Financial Statements June 30, 2020

Note 1 - Summary of Significant Accounting Policies - Continued

h. Accounts and Mortgages Receivable, and Related Allowance

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

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

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

Purchase money mortgages offered by the Agency have current interest rates of 4% with no points, no closing costs, exemption from the New York State (NYS) mortgage tax, no private mortgage insurance, and repayment terms of up to 30 years. Interest rates on the Agency's outstanding purchase money mortgages range from 4% to 7%.

An allowance is provided on accounts, purchase money, and deferred mortgage receivables based on historical collection experience. For those delinquent accounts and mortgages subject to collection proceedings, such allowance is determined on the difference between the fair value of the collateral and the outstanding principal and interest balance of the account receivable or mortgage. In addition, the Agency establishes an allowance for soft subsidized mortgages. Based on historical experience, the Agency considers it highly probable that borrowers with these types of mortgages will occupy their property for the required 10 years. Accordingly, the Agency has fully reserved for all such mortgages. The allowance for uncollectable mortgages receivable was \$1,800,000 at June 30, 2020, all of which was attributable to soft subsidized mortgages.

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

i. Property Held for Sale

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

Town of Islip Community Development Agency

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

Notes to Financial Statements June 30, 2020

Note 1 - Summary of Significant Accounting Policies - Continued

j. Deferred Outflows and Inflows of Resources

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

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

The Agency also reports pension related deferred outflows of resources and deferred inflows of resources as described in Note 6; and other postemployment benefits (OPEB) related deferred outflows of resources as described in Note 7.

k. Compensated Absences

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

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

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

l. Pension Benefits

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

m. Postemployment Benefits

In addition to providing pension benefits, the Agency provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the Agency's employees may become eligible for these benefits if they reach normal retirement age while working for the Agency. Healthcare benefits and survivor benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Agency recognizes the financial impact of other postemployment benefits in its financial statements. The impact on the Agency's financial position and results of operations is more fully disclosed in Note 7.

Town of Islip Community Development Agency

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

Notes to Financial Statements June 30, 2020

Note 1 - Summary of Significant Accounting Policies - Continued

m. Postemployment Benefits - Continued

The Agency is the sponsor of the Town of Islip Community Development Agency Pension Accident and Health Plan, which is a defined contribution money purchase pension plan. The trustee of the assets is John Hancock. The plan covers three (3) employees who met the eligibility requirements and were employed by the Agency prior to June 1, 1987 and who elected not to join the NYS Retirement System. The employer's annual contribution is 20% of each of the participants' compensation. The contribution payable for the plan year ended June 30, 2020 amounted to \$54,466.

n. Net Position and Fund Balance

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

- Investment in Capital Assets - the amount of net position representing capital assets net of accumulated depreciation. The Agency did not utilize debt to acquire its capital assets.
- Restricted Net Position - The amount of net position for which external restriction has been imposed by grantors and laws or regulations, or other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - The amount of net position that does not meet the definition of Restricted or Investment in Capital Assets.

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

- Nonspendable – Includes amounts that cannot be spent because they either are not in spendable form or are legally or contractually required to be maintained intact. The Agency's nonspendable fund balance includes prepaid expenditures and property held for sale.
- Restricted – Includes amounts with constraints placed on the use of resources either externally imposed by grantors, creditors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. In the Special Revenue Funds, the Agency's remaining fund balance after nonspendable fund balance is fully restricted due to program guidelines for federal aid.
- Committed – Includes amounts with constraints imposed by formal action of the Agency's highest level of decision-making authority.
- Assigned – Includes amounts with constraints placed by the Agency's intent to be used for specific purposes but is not restricted or committed.
- Unassigned – Includes all other amounts that do not meet the definition of the above four classifications and are deemed to be available for general use within the general fund.

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

Town of Islip Community Development Agency

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

Notes to Financial Statements June 30, 2020

Note 1 - Summary of Significant Accounting Policies - Continued

o. Program Revenues

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

p. Subsequent Events

The Agency has evaluated subsequent events for potential recognition or disclosure through March 2, 2021, the date the financial statements were available to be issued.

Note 2 - Cash and Cash Equivalents

As of June 30, 2020, the reconciliation of the carrying amount of cash and cash equivalents was as follows:

| | |
|---------------------------------|---------------------|
| Cash and cash equivalents | \$ 4,115,285 |
| Escrow funds | 241,423 |
| | <hr/> |
| Total cash and cash equivalents | <u>\$ 4,356,708</u> |
| | |
| Petty cash | \$ 200 |
| Demand deposits | 383,119 |
| Money market accounts | 2,721,388 |
| Certificates of deposit | 1,252,001 |
| | <hr/> |
| Total cash and cash equivalents | <u>\$ 4,356,708</u> |

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

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

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

Notes to Financial Statements
June 30, 2020

Note 3 - Accounts and Mortgages Receivable

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

| Fund | Balance June 30, 2019 | Additions | Reductions | Reserved for Subsidized Mortgages | Balance June 30, 2020 |
|-----------|-----------------------------|---------------------|-------------------|-----------------------------------------|-----------------------------|
| General | \$ 55,905 | \$ - | \$ - | \$ - | \$ 55,905 |
| CDBG | 11,558,273 | 1,018,000 | 585,748 | 120,000 | 11,870,525 |
| HOME | 7,035,572 | 7,000 | 337,806 | - | 6,704,766 |
| Non-major | 2,848,869 | - | 54,985 | - | 2,793,884 |
| Total | <u>\$ 21,498,619</u> | <u>\$ 1,025,000</u> | <u>\$ 978,539</u> | <u>\$ 120,000</u> | <u>\$ 21,425,080</u> |

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

| | Fund | | | | Total |
|-------------------------------------------|------------------|---------------------|----------------------|---------------------|----------------------|
| | General | HOME | CDBG | Non-Major | |
| Accounts and mortgages receivable | \$ 55,905 | \$ 7,384,766 | \$ 12,430,525 | \$ 3,353,884 | \$ 23,225,080 |
| Reserve for subsidized mortgages | - | (680,000) | (560,000) | (560,000) | (1,800,000) |
| Accounts and mortgages receivable, net | <u>\$ 55,905</u> | <u>\$ 6,704,766</u> | <u>\$ 11,870,525</u> | <u>\$ 2,793,884</u> | <u>\$ 21,425,080</u> |

Note 4 - Property Held for Sale

During the year ended June 30, 2020, the changes in property held for sale were as follows:

| Fund | Balance June 30, 2019 | Additions | Reductions | Balance June 30, 2020 |
|-----------|-----------------------------|---------------------|-------------------|-----------------------------|
| CDBG | \$ 2,604,697 | \$ 939,106 | \$ 529,778 | \$ 3,014,025 |
| HOME | 907,528 | 297,223 | 237,042 | 967,709 |
| General | 473,523 | 16,790 | 1,326 | 488,987 |
| Non-major | 565,928 | 137,831 | 30,148 | 673,611 |
| Total | <u>\$ 4,551,676</u> | <u>\$ 1,390,950</u> | <u>\$ 798,294</u> | <u>\$ 5,144,332</u> |

Town of Islip Community Development Agency

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

Notes to Financial Statements June 30, 2020

Note 5 - Capital Assets

For the year ended June 30, 2020, capital assets activities were as follows:

| | Balance June 30, 2019 | Additions | Reductions | Balance June 30, 2020 |
|--------------------------------|-----------------------------|---------------------|-------------|-----------------------------|
| Non-depreciable assets, land | \$ 625,505 | \$ - | \$ - | \$ 625,505 |
| Depreciable assets | | | | |
| Buildings and improvements | 4,050,706 | - | - | 4,050,706 |
| Machinery and equipment | 158,155 | - | - | 158,155 |
| Total capital assets | <u>4,208,861</u> | <u>-</u> | <u>-</u> | <u>4,208,861</u> |
| Less accumulated depreciation | | | | |
| Building and improvements | (2,955,948) | (101,703) | - | (3,057,651) |
| Machinery and equipment | (127,664) | (10,491) | - | (138,155) |
| Total accumulated depreciation | <u>(3,083,612)</u> | <u>(112,194)</u> | <u>-</u> | <u>(3,195,806)</u> |
| Total depreciable assets | <u>1,125,249</u> | <u>(112,194)</u> | <u>-</u> | <u>1,013,055</u> |
| Total capital assets, net | <u>\$ 1,750,754</u> | <u>\$ (112,194)</u> | <u>\$ -</u> | <u>\$ 1,638,560</u> |

Depreciation expense of \$112,194 for the year ended June 30, 2020 was charged to different functions as follows:

| | |
|-------------------------------|-------------------|
| Residential rehabilitation | \$ 79,898 |
| Commercial rehabilitation | 5,812 |
| Public facilities improvement | 8,957 |
| Public service programs | 222 |
| Code enforcement | 1,905 |
| General and administration | <u>15,400</u> |
| Total depreciation | <u>\$ 112,194</u> |

Note 6 - Retirement System

a. Plan Description and Benefits Provided

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

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

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Notes to Financial Statements June 30, 2020

Note 6 - Retirement System - Continued

b. Contributions

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

The required contribution for the year ended June 30, 2020 was \$82,635. The contribution made to the System was equal to 100% of the required contribution for the year.

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

At June 30, 2020, the Agency reported a liability of \$388,687 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2020, and the total pension liability was determined by an actuarial valuation as of April 1, 2019. The Agency's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contribution for the fiscal year ended on the measurement date. At the March 31, 2020 measurement date, the Agency's proportionate share was .0014678%.

For the year ended June 30, 2020, the Agency recognized pension expense of \$148,109. At June 30, 2020, the Agency reported deferred outflows of resources and deferred inflows of resources as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 22,876 | \$ - |
| Changes of assumptions | 7,826 | 6,758 |
| Net differences between projected and actual investment earnings on pension plan investments | 199,260 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 45,609 | 17,293 |
| Agency contributions subsequent to the measurement date | 22,614 | - |
| Total | \$ 298,185 | \$ 24,051 |

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Notes to Financial Statements June 30, 2020

Note 6 - Retirement System - Continued

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

Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | | |
|----------------------|----|----------------|
| Year ending June 30, | | |
| 2021 | \$ | 47,506 |
| 2022 | | 63,863 |
| 2023 | | 76,795 |
| 2024 | | <u>63,356</u> |
| Total | \$ | <u>251,520</u> |

d. *Actuarial Assumptions*

The actuarial assumptions used in the April 1, 2019 valuation, with updated procedures used to roll forward the total pension liability to March 31, 2020, were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

| | |
|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial Cost Method | Entry age normal |
| Inflation Rate | 2.5 percent |
| Salary Scale | 4.2 percent, indexed by service |
| Investment rate of return | 6.8 percent compounded annually, net of expenses |
| Cost of living adjustments | 1.3% annually |
| Mortality | Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015 Mortality improvement Society of Actuaries Scale MP-201 |

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

e. *Investment Asset Allocation*

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

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Notes to Financial Statements June 30, 2020

Note 6 - Retirement System - Continued

e. Investment Asset Allocation - Continued

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2020, are summarized below:

| Asset Type | Target Allocation | Long-Term Expected Real Rate |
|----------------------------|-------------------|------------------------------|
| Domestic equity | 36.0% | 4.05% |
| International equity | 14.0% | 6.15% |
| Private equity | 10.0% | 6.75% |
| Real estate | 10.0% | 4.95% |
| Absolute return strategies | 2.0% | 3.25% |
| Opportunistic portfolio | 3.0% | 4.65% |
| Real assets | 3.0% | 5.95% |
| Bonds and mortgages | 17.0% | 75.00% |
| Cash | 1.0% | 0.00% |
| Inflation-Indexed bonds | 4.0% | 0.50% |
| | 100.00% | |

f. Discount Rate

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

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

The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 6.8% and the impact of using a discount rate that is 1% higher or lower than the current rate:

| | 1% Decrease (5.8%) | Current Discount (6.8%) | 1% Increase (7.8%) |
|-----------------------------------------------------------|-----------------------|-------------------------------|-----------------------|
| Agency's proportionate share of the net pension liability | \$ 713,351 | \$ 388,687 | \$ 89,671 |

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Notes to Financial Statements June 30, 2020

Note 6 - Retirement System - Continued

h. Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the New York State and Local Employees' Retirement System as of March 31, 2020 were as follows (amounts in thousands):

| | |
|-------------------------------------------------------------------------|------------------------|
| Employers' total pension liability | \$ (194,596,261) |
| Plan net position | <u>168,115,682</u> |
| Employers' net pension liability | <u>\$ (26,480,579)</u> |
| Ratio of plan net position to the employers' total pension liability | <u>86.39%</u> |

Note 7 - Postemployment Benefits

a. OPEB Benefits

The Agency provides medical benefits to its eligible retirees under a single employer defined benefit plan. The Agency's retiree medical/drug and dental insurance plans are fully insured with Empire Plan. Employees hired prior to April 27, 2010 are eligible for these benefits once they have reached the age of 55 and have 5 years of qualified employment. Employees hired after April 27, 2010 are eligible for these benefits once they have reached the age of 55 and have 10 years of qualified employment. The benefit plan is administered and accounted for as a single employer defined benefit plan. A summary of active employees and retired employees covered under this benefit plan as of June 30, 2020 is as follows:

| | Actives | Inactives Not Receiving Benefits | Inactives Receiving Benefits | Total Census |
|--------|----------|----------------------------------------|------------------------------------|-----------------|
| Male | 5 | - | 2 | 7 |
| Female | 4 | - | 6 | 10 |
| Total | <u>9</u> | <u>-</u> | <u>8</u> | <u>17</u> |

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

The Agency is not required to fund the benefit plan other than the pay-as-you-go amount necessary to provide current benefits to retirees. For the fiscal year ended June 30, 2020, the Agency paid \$110,278 on behalf of the plan members. The benefit plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the benefit plan.

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Notes to Financial Statements June 30, 2020

Note 7 - Postemployment Benefits - Continued

b. *OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

At June 30, 2020, the Agency reported a liability of \$4,299,191 for its OPEB liability. The OPEB liability was measured as of January 1, 2019 by an actuarial valuation as of that date. For the year ended June 30, 2020, the Agency recognized OPEB expense of \$362,656. At June 30, 2020, the Agency reported deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|----------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ - | \$ 272,927 |
| Changes of assumptions | 636,453 | 221,127 |
| Total | \$ 636,453 | \$ 494,054 |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | Governmental Activities |
|----------------------|----------------------------|
| Year ending June 30, | |
| 2020 | \$ 125,301 |
| 2021 | 84,619 |
| 2022 | (67,521) |
| Total | \$ 142,399 |

Actuarial Assumptions. The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions:

| Assumptions | Factor |
|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Discount Rate | 2.74% |
| Measurement Date | January 1, 2019 |
| Salary Scale | 3.50% |
| Inflation | |
| Health care claim and contribution rate | 2019 - 8.00%; 2020 - 7.50%; 2021 - 7.00% 2022 - 6.50%; 2023 - 6.00%; 2024 - 5.50% 2025 and thereafter - 5.00% |
| Mortality | Utilized rates developed in the report, "New York State/SUNY GASB 45 Valuation Development of Recommended Actuarial Assumptions - Participating Agency Version" prepared in September 2016. Based on the experience under the New York State & Local Retirement System projected generationally using the MP-2017 projection cycle. |
| Employer asset return | 0.00% |
| Actuarial cost method | Entry age normal over a level percentage of pay |
| Participant percent | 100%, future retirees are assumed to save 50% of future sick days for paying spousal coverage |

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Notes to Financial Statements June 30, 2020

Note 7 - Postemployment Benefits - Continued

b. *OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - Continued*

The discount rate used to measure the liability was 2.74%, based on the Bond Buyer 20-year general obligation bond index.

Schedule of Changes in Net OPEB Liability

The following table presents the changes in net OPEB liability as of June 30, 2020:

| | |
|----------------------------------------------------|--------------------------------|
| Balance at July 1, 2019 | <u>\$ 4,096,694</u> |
| <i>Changes for the year</i> | |
| Service cost | 93,619 |
| Interest | 143,736 |
| Differences between expected and actual experience | (428,886) |
| Changes in assumptions and other inputs | 504,306 |
| Benefit payments | <u>(110,278)</u> |
| Net changes | <u>202,497</u> |
| Balance at June 30, 2020 | <u><u>\$ 4,299,191</u></u> |

Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Trend Rate and Discount Rate

The following presents the OPEB liability of the plan as of June 30, 2020 using current health care cost trend rates as well as what the OPEB liability would be if it were calculated using a health care cost trend rates that are 1% lower and 1% higher than the current rate:

| | Governmental Activities | | |
|-------------------------|-------------------------|-------------------------|---------------------|
| | (8.00% | | |
| | 1% Decrease | Decreasing to 5.00%) | 1% Increase |
| Agency's OPEB Liability | <u>\$ 3,698,032</u> | <u>\$ 4,299,191</u> | <u>\$ 5,044,415</u> |

The following presents the OPEB liability of the plan as of June 30, 2020, calculated using the discount rate of 2.74%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.74%) or 1-percentage-point higher (3.74%) than the current rate:

| | Governmental Activities | | |
|-------------------------|-------------------------|---------------------|---------------------|
| | Current Discount | | |
| | 1% Decrease | 2.74% | 1% Increase |
| Agency's OPEB Liability | <u>\$ 4,962,167</u> | <u>\$ 4,299,191</u> | <u>\$ 3,762,025</u> |

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Notes to Financial Statements June 30, 2020

Note 8 - Compensated Absences

A summary of changes in compensated absences for the year ended June 30, 2020, is as follows:

| | Balance June 30, 2019 | Additions | Reductions | Balance June 30, 2020 | Amounts Due Within One Year |
|----------------------|-----------------------------|-------------------|------------------|-----------------------------|-----------------------------------|
| Compensated absences | <u>\$ 416,211</u> | <u>\$ 160,203</u> | <u>\$ 72,371</u> | <u>\$ 504,043</u> | <u>\$ 155,907</u> |

Note 9 - Related Party Transactions

Islip Housing Development Fund Company, Inc. (IHDFC)

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

The Agency has contracted with IHDFC for the construction of new homes for first-time homebuyers under the Home Investment Partnership Program. Also, the Agency has contracted for the acquisition/rehabilitation of existing scattered site homes under the Home Investment Partnership and Community Development Block Grant Programs for rental or rent-with-option to buy housing. Upon expiration of this agreement, IHDFC will transfer to the Agency any unexpended Community Development Block Grant funds and any accounts receivable attributable to the use of Community Development Block Grant funds. Amounts received as of and for the year ended June 30, 2020 by the IHDFC from the Agency for contracted services was \$952,170.

IHDFC utilizes the employees of the Agency to perform bookkeeping, project management maintenance, and grounds keeping. IHDFC reimburses the cost of these expenses to the Agency. Amounts reimbursed to the Agency by the IHDFC for these services were \$195,870 as of and for the year ended June 30, 2020.

Town of Islip

The Agency has an agreement with the Town of Islip in which the Town provides certain services related to code enforcement in designated areas and the Agency reimburses the Town \$100,000 annually.

Note 10 - Concentration of Credit Risk Arising from Economic Dependency

Federal grants during the year provided approximately 62.3% of all Agency revenue during the fiscal year ended June 30, 2020. This funding primarily relates to three significant ongoing programs funded by the HUD including the CDBG (32.8%), HOME (8.1%), and HOPWA programs (19.3%). These programs have a significant impact on the Agency's financial condition.

Town of Islip Community Development Agency

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Notes to Financial Statements June 30, 2020

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

The Town of Riverhead has taken over operations of the HOPWA program effective July 1, 2018. While the majority of the program revenues are passed through to subrecipients, the Agency does charge certain administrative expenses to the program. The Agency's other programs will absorb any administrative cost reimbursements lost from the HOPWA program. The Agency is still in the process of expending grant awards received prior to the change in operation of the HOPWA program.

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

Note 11 - Contingencies

a. Pending Litigation

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

b. Environmental Remediation

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

c. Effects of Pandemic

Among its many social purposes, the Agency is engaged in providing affordable housing and residential rehabilitation/redevelopment within the Town of Islip. The effects of COVID-19 have dramatically impacted real estate markets, resulting in increased demand and decreased supply. Residential real estate remains an essential service under the Governor Cuomo's Executive Orders. However, the Agency's rehabilitation projects require building materials and qualified contractors to administer projects. The price of lumber and other materials has increased during the pandemic as people invest money into their homes.

Other risks to the Agency include State and Federal Laws designed to protect homeowners and renters impacted by the pandemic. The State of New York has an eviction moratorium for tenants who have "endured COVID-related hardship" until May 1, 2021. Recently the President of the United States extended a ban on housing foreclosures to June 30, 2021.

While the demand for affordable housing remains strong, the future impacts of the pandemic on the Agency's financial condition remain unknown.

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Notes to Financial Statements June 30, 2020

Note 12 - Accounting Standards Issued But Not Yet Implemented

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

GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments and establishes four types of fiduciary funds that should be reported. The statement also provides guidance for the recognition of liabilities in a fiduciary fund and the related release of a liability to a beneficiary. The requirements of this statement, as delayed by GASB 95, are effective for fiscal years beginning after December 15, 2019.

GASB Statement No. 87, *Leases*. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement, as delayed by GASB 95, are effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this statement. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement, as delayed by GASB 95, are effective for reporting periods beginning after December 15, 2020.

GASB Statement No. 90, *Majority Equity Interests*. This statement will provide financial reporting users with information related to the presentation of majority equity interests in legally separate organizations. In addition, this statement required the reporting of information about component units if the government acquires 100% equity interest about the cost of services to be provided by the component unit in relation to the consideration provided to acquire the component unit. The requirements for this statement, as delayed by GASB 95, are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 91, *Conduit Debt Obligations*. This statement improves financial reporting by providing a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice. This is achieved by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting for additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving note disclosures. The requirements of this statement, as delayed by GASB 95, are effective for reporting periods beginning after December 15, 2021.

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Notes to Financial Statements June 30, 2020

Note 12 - Accounting Standards Issued But Not Yet Implemented - Continued

GASB Statement No. 92, *Omnibus 2020*. This statement addresses a variety of topics including leases, intra-entity transfers, fiduciary activities, public entity risk pools/reinsurance recoveries, fair value measurements, and derivative instrument terminology. Guidance related to leases, reinsurance recoveries, and derivative instrument terminology was effective upon the issuance of the standard in January 2020. The remaining components of this standard, as delayed by GASB 95, are effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this statement is to address accounting and financial reporting implications that result from the replacement of interbank offered rates (IBOR), such as providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging instrument's variable payment. The removal of the London IBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. The requirements relating to lease modifications, as delayed by GASB 95, are effective for reporting periods beginning after Jun 15, 2021. All other requirements of this statement are effective for reporting periods beginning after June 15, 2020.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement: (1) defines SBITAs; (2) establishes that SBITAs results in right-to-use subscription assets and corresponding subscription liabilities; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of SBITAs; and (4) requires note disclosures regarding SBITAs. Under this statement, a government generally should recognize a right-to-use subscription asset and a corresponding subscription liability. The requirements of this statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Services Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this statement are to: (1) increase consistency and comparability relating to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans and defined contribution other postemployment benefit plans as fiduciary component units in fiduciary financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This statement requires that for purposes of determining whether a

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Notes to Financial Statements June 30, 2020

Note 12 - Accounting Standards Issued But Not Yet Implemented - Continued

primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution other postemployment benefit plan, or another employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board would typically perform. The requirements of this statement that: (1) exempt primary governments that perform duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution other postemployment plans, or other employee benefit plans; and (2) limit the applicability of the financial burden criteria, are effective immediately. The requirements of this statement that are related to the accounting and financial reporting for section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this statement that provide for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties a governing board typically would perform are effective for reporting periods beginning after June 15, 2021.

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

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Schedule of Other Postemployment Benefits Liability

| | June 30, | | |
|----------------------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 2020 | 2019 | 2018 |
| Beginning of Year | \$ 4,096,694 | \$ 3,938,829 | \$ 3,584,260 |
| Changes for the year | | | |
| Service cost | 93,619 | 135,461 | 121,330 |
| Interest | 143,736 | 138,181 | 138,237 |
| Differences between expected and actual experience | (428,886) | | |
| Changes in assumptions and other inputs | 504,306 | - | 192,906 |
| Benefit payments | (110,278) | (115,777) | (97,904) |
| End of Year | <u><u>\$ 4,299,191</u></u> | <u><u>\$ 4,096,694</u></u> | <u><u>\$ 3,938,829</u></u> |
| Covered payroll | \$ 713,787 | \$ 781,751 | \$ 762,684 |
| OPEB liability as a percentage of covered payroll | 602.31% | 524.04% | 516.44% |

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

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Schedule of Proportionate Share of Net Pension Liability

| | June 30, | | | | | |
|-----------------------------------------------------------------------------------------------------------|------------|------------|------------|------------|------------|------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Agency's proportion of the net pension liability | 0.0014678% | 0.0014367% | 0.0019096% | 0.0019108% | 0.0021311% | 0.0019019% |
| Agency's proportionate share of the net pension liability | \$ 388,687 | \$ 101,792 | \$ 61,632 | \$ 179,542 | \$ 342,050 | \$ 64,249 |
| Agency's covered-employee payroll | \$ 576,524 | \$ 544,539 | \$ 626,959 | \$ 670,519 | \$ 678,763 | \$ 626,495 |
| Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 67.42% | 18.69% | 9.83% | 26.78% | 50.39% | 10.26% |
| Plan fiduciary net position as a percentage of the total pension liability | 86.39% | 96.27% | 98.24% | 94.70% | 90.68% | 97.95% |

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

Town of Islip Community Development Agency

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

Schedule of Pension Contributions

| | June 30, | | | | | |
|----------------------------------------------------------------------|-----------|-----------|-----------|-----------|------------|-----------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Contractually required contribution | \$ 82,635 | \$ 79,180 | \$ 90,532 | \$ 95,245 | \$ 116,891 | \$ 90,346 |
| Contributions in relation to the contractually required contribution | 82,635 | 79,180 | 90,532 | 95,245 | 116,891 | 90,346 |
| Contribution deficiency (excess) | - | - | - | - | - | - |
| Agency's covered-employee payroll | 576,524 | 544,539 | 626,959 | 670,519 | 678,763 | 626,495 |
| Contribution as a percentage of covered-employee payroll | 14.33% | 14.54% | 14.44% | 14.20% | 17.22% | 14.42% |

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

Town of Islip Community Development Agency

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

Combining Balance Sheet - Community Development Block Grant Sub-Funds

| | June 30, 2020 | | | | | | |
|--------------------------------------------------------------|-----------------------------|--------------------------------------------|------------------------------|---------------------------------|-------------------------|---------------------|----------------------|
| | East Islip Congregate | Community Development Block Grant | Rental Unit Management | Applied Technology Center | 911 Lowell Avenue | Eliminations | Total CDBG |
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 470,422 | \$ 2,000,518 | \$ 242,482 | \$ 433,584 | \$ 7,444 | \$ - | \$ 3,154,450 |
| Escrow cash | 17,159 | 2,402 | 11,012 | 11,652 | 1,241 | - | 43,466 |
| Due from other governments | - | 151,547 | - | - | - | - | 151,547 |
| Accounts and mortgages receivable, net | - | 11,870,525 | - | - | - | - | 11,870,525 |
| Property held for sale | - | 3,014,025 | - | - | - | - | 3,014,025 |
| Prepaid expenditures | 9,378 | 69,466 | 5,290 | 3,596 | 2,038 | - | 89,768 |
| Due from other funds | - | 349,008 | - | - | - | (348,998) | 10 |
| | \$ 496,959 | \$ 17,457,491 | \$ 258,784 | \$ 448,832 | \$ 10,723 | \$ (348,998) | \$ 18,323,791 |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ 4,166 | \$ 109,416 | \$ 206 | \$ 5,454 | \$ 1,300 | \$ - | \$ 120,542 |
| Pension plan payable | 2,056 | 42,131 | 3,154 | 958 | 1,671 | - | 49,970 |
| Due to other funds | - | - | - | - | 348,998 | (348,998) | - |
| Liability for client escrow deposits | 17,159 | 2,402 | 11,012 | 11,652 | 1,241 | - | 43,466 |
| Total liabilities | 23,381 | 153,949 | 14,372 | 18,064 | 353,210 | (348,998) | 213,978 |
| DEFERRED INFLOWS | | | | | | | |
| Unavailable resources | - | 11,870,525 | - | - | - | - | 11,870,525 |
| FUND BALANCES | | | | | | | |
| Nonspendable | 9,378 | 3,083,491 | 5,290 | 3,596 | 2,038 | - | 3,103,793 |
| Restricted to Community Development | 464,200 | 2,349,526 | 239,122 | 427,172 | (344,525) | - | 3,135,495 |
| Total fund balances | 473,578 | 5,433,017 | 244,412 | 430,768 | (342,487) | - | 6,239,288 |
| Total liabilities, deferred inflows and fund balances | \$ 496,959 | \$ 17,457,491 | \$ 258,784 | \$ 448,832 | \$ 10,723 | \$ (348,998) | \$ 18,323,791 |

Town of Islip Community Development Agency

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

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

| | Year Ended June 30, 2020 | | | | | |
|----------------------------------------------------------|-----------------------------|--------------------------------------------|------------------------------|---------------------------------|-------------------------|---------------------|
| | East Islip Congregate | Community Development Block Grant | Rental Unit Management | Applied Technology Center | 911 Lowell Avenue | Total CDBG |
| REVENUES | | | | | | |
| Federal aid | \$ - | \$ 2,172,045 | \$ - | \$ - | \$ - | \$ 2,172,045 |
| Departmental income | | | | | | |
| Other program income | 89 | 3,498 | 208 | - | - | 3,795 |
| Subrecipients program income | - | 280,000 | - | - | - | 280,000 |
| Repayment of mortgages and interest | - | 865,870 | - | - | - | 865,870 |
| Rental income | 210,925 | 36,883 | 158,067 | 147,588 | 6,640 | 560,103 |
| Use of money and property | | | | | | |
| Interest income | 1,620 | 24,177 | 786 | 1,431 | 1 | 28,015 |
| Total revenues | 212,634 | 3,382,473 | 159,061 | 149,019 | 6,641 | 3,909,828 |
| EXPENDITURES | | | | | | |
| Residential rehabilitation | 184,279 | 1,399,144 | 111,996 | 147,608 | 23,182 | 1,866,209 |
| Public facilities improvement | - | 305,000 | - | - | - | 305,000 |
| Public service programs | - | 470,069 | - | - | - | 470,069 |
| Commercial rehabilitation | - | 11,638 | - | - | - | 11,638 |
| Code enforcement | - | 100,000 | - | - | - | 100,000 |
| General and administration | 1,537 | 563,631 | - | - | 35,793 | 600,961 |
| Total expenditures | 185,816 | 2,849,482 | 111,996 | 147,608 | 58,975 | 3,353,877 |
| Excess (deficiency) of revenues over expenditures | 26,818 | 532,991 | 47,065 | 1,411 | (52,334) | 555,951 |
| FUND BALANCES, beginning of year | 446,760 | 4,900,026 | 197,347 | 429,357 | (290,153) | 5,683,337 |
| FUND BALANCES, end of year | \$ 473,578 | \$ 5,433,017 | \$ 244,412 | \$ 430,768 | \$ (342,487) | \$ 6,239,288 |

See Independent Auditor's Report.

Town of Islip Community Development Agency

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

Combining Balance Sheet - Nonmajor Governmental Funds

| | June 30, 2020 | | | |
|--------------------------------------------------------------|---------------------------------|---------------------|---------------------|--------------------------------|
| | Emergency Shelter Program | NSP | NSP3 | Total Other Governmental |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 160 | \$ 138,188 | \$ 28,437 | \$ 166,785 |
| Escrow cash | - | 4,825 | 6,075 | 10,900 |
| Due from other governments | 71,060 | - | - | 71,060 |
| Accounts and mortgages receivable, net | - | 1,901,267 | 892,617 | 2,793,884 |
| Property held for sale | - | 586,083 | 87,528 | 673,611 |
| Prepaid expenditures | 717 | 1,630 | 828 | 3,175 |
| | \$ 71,937 | \$ 2,631,993 | \$ 1,015,485 | \$ 3,719,415 |
| LIABILITIES | | | | |
| Accounts payable | \$ 70,844 | \$ - | \$ - | \$ 70,844 |
| Pension plan payable | 216 | - | - | 216 |
| Due to other funds | 10 | - | - | 10 |
| Liability for client escrow deposits | - | 4,825 | 6,075 | 10,900 |
| Total liabilities | 71,070 | 4,825 | 6,075 | 81,970 |
| DEFERRED INFLOWS | | | | |
| Unavailable resources | - | 1,901,267 | 892,617 | 2,793,884 |
| FUND BALANCES | | | | |
| Nonspendable | 717 | 587,713 | 88,356 | 676,786 |
| Restricted to Community Development | 150 | 138,188 | 28,437 | 166,775 |
| Total fund balances | 867 | 725,901 | 116,793 | 843,561 |
| Total liabilities, deferred inflows and fund balances | \$ 71,937 | \$ 2,631,993 | \$ 1,015,485 | \$ 3,719,415 |

See Independent Auditor's Report.

Town of Islip Community Development Agency

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

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

| | Year Ended June 30, 2020 | | | Total Other Governmental |
|-------------------------------------------------|---------------------------------|-------------------|-------------------|--------------------------------|
| | Emergency Shelter Program | NSP | NSP3 | |
| REVENUES | | | | |
| Federal aid | \$ 142,003 | \$ - | \$ - | \$ 142,003 |
| Departmental income | | | | |
| Other program income | - | - | 837 | 837 |
| Repayment of mortgages and interest | - | 102,408 | 48,156 | 150,564 |
| Other income | - | 611 | - | 611 |
| Total revenues | 142,003 | 103,019 | 48,993 | 294,015 |
| EXPENDITURES | | | | |
| Residential rehabilitation | 128,252 | (9,595) | 41,627 | 160,284 |
| General and administration | 13,511 | 3,061 | 3,882 | 20,454 |
| Total expenditures | 141,763 | (6,534) | 45,509 | 180,738 |
| Excess of revenues over expenditures | 240 | 109,553 | 3,484 | 113,277 |
| FUND BALANCES, beginning of year | 627 | 616,348 | 113,309 | 730,284 |
| FUND BALANCES, end of year | \$ 867 | \$ 725,901 | \$ 116,793 | \$ 843,561 |

See Independent Auditor's Report.