

Town of Islip Community Development Agency

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

Financial Statements

Year Ended June 30, 2023

Town of Islip Community Development Agency

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

Financial Statements

Year Ended June 30, 2023

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2023, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements - Continued

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary 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 other supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 other supplementary information is 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 February 8, 2024, 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

Latham, New York
February 8, 2024



Town of Islip Community Development Agency

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

Management's Discussion and Analysis

June 30, 2023

As management of the Town of Islip Community Development Agency (the Agency), we offer readers of the financial statements this narrative overview of the Agency's financial activities and an analysis of the Agency's financial performance for the fiscal year ended June 30, 2023.

This discussion and analysis includes comparative data for the fiscal years ended June 30, 2023 and 2022. This section is only an introduction and should be read in conjunction with the Agency's financial statements, which immediately follow this section.

Overview of the Town of Islip Community Development Agency

The Agency was organized in 1976 as a corporate body and 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 chairperson 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 primary objectives of the Agency are to assist low and moderate income residents of the Town of Islip through housing and public service programs to eliminate blighted and deteriorated conditions in the Town of Islip's neighborhoods and commercial districts.

Financial Highlights

- The Agency recognized \$6,715,263 of various COVID-19 emergency assistance funding which was primarily used to provide grant assistance to individuals for rent, utility, and mortgage payments, as well as provide assistance to shelters for those needing rapid rehousing.
- The Agency invested \$1,410,340 in affordable housing properties held for sale (net of impairments), including purchases of two new properties, rehabilitation, and maintenance costs.
- The Agency provided Community Development Block Grant funds to various public service organizations throughout the target service areas in the amount of \$410,142.
- The Agency provided grants in the amount of \$74,066 for residential repairs and issued \$228,228 in new residential repairs loans.
- Grants were provided to assist with homeless housing programs, commercial rehabilitation projects, and code enforcement in the target areas for \$219,105, \$106,050, and \$100,000, respectively.
- 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 \$29,320,879 (net position). Of this amount, \$1,894,278 represents unrestricted net position, which may be used to meet the Agency's purpose to assist with affordable housing and related programs.
- The Agency's net position was fairly consistent with the prior year, reporting a minimal decrease of \$38,489.

Town of Islip Community Development Agency

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

Management's Discussion and Analysis

June 30, 2023

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 intent of the government-wide financial statements is to give the reader a long-term view of the Agency's financial condition.

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). This method is known as the accrual basis of accounting and is different from the modified accrual basis of accounting used in the Agency's governmental fund financial statements.

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 facilities and improvements, public services, code enforcement, affordable housing, homeless housing, affordable rentals, other grants programs, emergency assistance, and general administration. The government-wide financial statements are presented on pages 14 and 15.

Fund Financial Statements

The fund financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as an accounting entity with a self-balancing set of accounts established for the purpose of carrying out specific activities or attaining certain 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.

Town of Islip Community Development Agency

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

Management's Discussion and Analysis

June 30, 2023

Fund Financial Statements - Continued

During the year ended June 30, 2023, the Agency maintained fourteen individual governmental funds:

- General Fund;
- Community Development Block Grant Fund (CDBG), Community Development Block Grant – CARES Act (CDBG-CV)
- Home Investment Partnership Program Fund (HOME), Home Investment Partnership Program – American Rescue Plan Act (HOME-ARP);
- Housing Opportunities for Persons with AIDS Fund (HOPWA);
- Neighborhood Stabilization Fund (NSP), Neighborhood Stabilization 3 Fund (NSP3);
- Emergency Solutions Program Funds (ESG), Emergency Solutions Program – CARES Act (ESG-CV)
- Emergency Rental Assistance Program – CARES Act (ERAP1), Emergency Rental Assistance Program – ARPA (ERAP2);
- Downtown Revitalization Initiative (DRI); and
- Applied Technology Center (ATC).

The Agency has classified General, HOME, CDBG, and ERAP2 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 other governmental (non-major) funds, CDBG-CV, ESG, ESG-CV, HOME-ARP, HOPWA, NSP, NSP3, DRI, ATC, and ERAP1 are combined into a single aggregated presentation on the balance sheet and statement of revenues, expenditures, and changes in fund balances.

The fund financial statements are presented on pages 16 to 19 of this report.

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 20 to 40 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 41 to 43).

Town of Islip Community Development Agency

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

Management's Discussion and Analysis June 30, 2023

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 44 to 47).

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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$29,320,879 at the close of the most recent fiscal year.

	June 30,			
	2023	2022	\$ Change	% Change
Assets				
Current assets	\$ 16,632,361	\$ 15,133,308	\$ 1,499,053	9.9%
Non-current assets	19,425,369	21,151,296	(1,725,927)	-8.2%
Total assets	<u>36,057,730</u>	<u>36,284,604</u>	<u>(226,874)</u>	<u>-0.6%</u>
Deferred outflows of resources	<u>346,170</u>	<u>442,966</u>	<u>(96,796)</u>	<u>-21.9%</u>
Liabilities				
Current liabilities	1,666,197	1,567,639	98,558	6.3%
Non-current liabilities	4,738,808	5,074,273	(335,465)	-6.6%
Total liabilities	<u>6,405,005</u>	<u>6,641,912</u>	<u>(236,907)</u>	<u>-3.6%</u>
Deferred inflows of resources	<u>678,016</u>	<u>726,290</u>	<u>(48,274)</u>	<u>-6.6%</u>
Net position				
Investment in capital assets	1,510,834	1,514,475	(3,641)	-0.2%
Restricted for federal programs	25,915,767	26,405,276	(489,509)	-1.9%
Unrestricted	<u>1,894,278</u>	<u>1,439,617</u>	<u>454,661</u>	<u>31.6%</u>
Total net position	<u>\$ 29,320,879</u>	<u>\$ 29,359,368</u>	<u>\$ (38,489)</u>	<u>-0.1%</u>

The Agency's total assets decreased by \$226,874 as of June 30, 2023 compared to prior year primarily related to the reduction of the long-term portion of loans and mortgage receivables as principal payments and loan payoffs were received, which was offset by the increase in property held for sale due to current year additions of new properties and costs. The Agency's total liabilities decreased by \$236,907 as of June 30, 2023 compared to prior year primarily related to the decrease in the other postemployment benefits obligation offset by an increase in the net pension liability. Deferred outflows of resources and deferred inflows of resources remained relatively consistent compared to the prior year.

Net position decreased by a minimal amount (\$38,489 or 0.13%) during the year ended June 30, 2023. 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.

Town of Islip Community Development Agency

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

Management's Discussion and Analysis June 30, 2023

Government-Wide Financial Analysis - Continued

Changes in Net Position

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

	Years Ended June 30,		\$ Change	% Change
	2023	2022		
Revenues				
Charges for services	\$ 1,301,942	\$2,291,856	\$ (989,914)	-43.2%
Operating grants and contributions	10,322,176	15,796,488	(5,474,312)	-34.7%
Investments earnings	33,457	691	32,766	4741.8%
Total revenue	11,657,575	18,089,035	(6,431,460)	-35.6%
Expenses				
Residential rehabilitation	172,690	156,628	16,062	10.25%
Commercial rehabilitation	109,592	114,376	(4,784)	-4.18%
Public facilities and improvements	46,071	83,186	(37,115)	-44.62%
Public services programs	445,316	272,253	173,063	63.57%
Code enforcement	100,000	100,000	-	0.00%
Affordable housing program	1,202,475	1,804,417	(601,942)	-33.36%
Homeless housing program	219,105	-	219,105	0.00%
Rental property expenditures	448,493	414,926	33,567	8.09%
Other grant program expenditures	197,785	247,399	(49,614)	0.00%
Emergency assistance	6,715,263	12,301,217	(5,585,954)	-45.41%
General and administration	2,039,274	1,656,608	382,666	23.10%
Total expenses	11,696,064	17,151,010	(5,454,946)	-31.81%
Increase (decrease) in net position	(38,489)	938,025	(976,514)	-104.1%
NET POSITION, beginning of year	29,359,368	28,421,343	938,025	3.30%
NET POSITION, end of year	\$ 29,320,879	\$ 29,359,368	\$ (38,489)	-0.13%

The grant revenues of the Agency are expenditure driven. During the year ended June 30, 2023, total operating grants and contributions decreased by \$5,474,312 (34.70%), as compared to the previous year. This is primarily a result of the reduction in ERAP1 and ERAP2 grant income recognized compared to the prior year in the amount of \$5,529,492. These grants were established to assist renters with COVID-19 related hardships and as the economy has stabilized the need for the funding has slowed. Similarly, the Agency's ESG-CV grant revenue decreased by \$611,357. This was offset by an increase in CDBG-CV, HOME, and DRI funds recognized in the current year in the amounts of \$380,068, \$122,448, and \$112,107, respectively.

Charges for services are dependent upon the timing of property sales, including gains or losses. The charges for services for year ended June 30, 2023 decreased by \$989,914 primarily due to the proceeds from the sale of HOPWA properties that took place in the prior year. No such sales took place in the current year.

Total program expenses decreased primarily due to the decrease in ERAP1 and ERAP2 grants awarded which decreased by \$5,529,492 compared to prior year. Program expenses will vary from year to year due to the timing of grant awards and use of program income.

Town of Islip Community Development Agency

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

Management's Discussion and Analysis June 30, 2023

Financial Analysis of the Agency'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 fund balances may serve as a useful measure of the Agency's net resources available for spending at the end of the year.

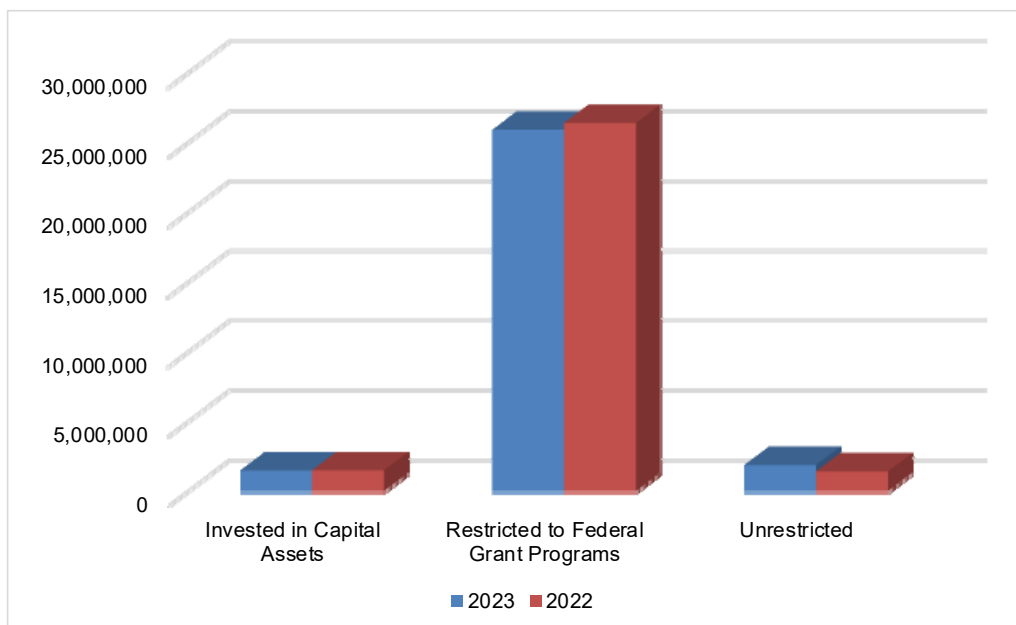
On June 30, 2023, the Agency's governmental funds reported combined ending fund balances of \$14,493,210, an increase of \$1,460,322 (11.20%) from the prior year. The increase was primarily related to increases in the HOME and CDBG fund balances as a result of the repayments of mortgage principal and interest, including loan payoffs and net rental income compared to rental property expenditures.

The nonspendable fund balance, which relates to the prepaid expenditures and properties held for sale, was \$7,093,293 on June 30, 2023, as compared to \$5,671,885 on June 30, 2022. This increase of \$1,421,408 (25.10%) is related to the purchase of new properties as well as the additional costs invested to rehabilitate and maintain the existing properties for future sale for the affordable housing program. The restricted fund balances of the various funds decreased by \$412,781 (6.36%) from \$6,489,472, on June 30, 2022, to \$6,073,691, on June 30, 2023 primarily due to a change in classification for the Applied Technology Center fund balance to assigned. Accordingly, the Agency's assigned fund balance increased by \$466,510 (5.22%) to \$1,326,226 at June 30, 2023. The unassigned fund balance was fairly consistent with prior year with a minimal decrease of \$11,815. The 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 of \$11,658,404, emergency assistance expenses accounted for \$6,715,263 (57.60%), various grant expenditures accounted for \$2,371,938 (20.35%) general and administrative expenses accounted for \$2,107,668 (18.08%), and rental property expenses accounted for \$463,535 (3.97%).

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



Town of Islip Community Development Agency

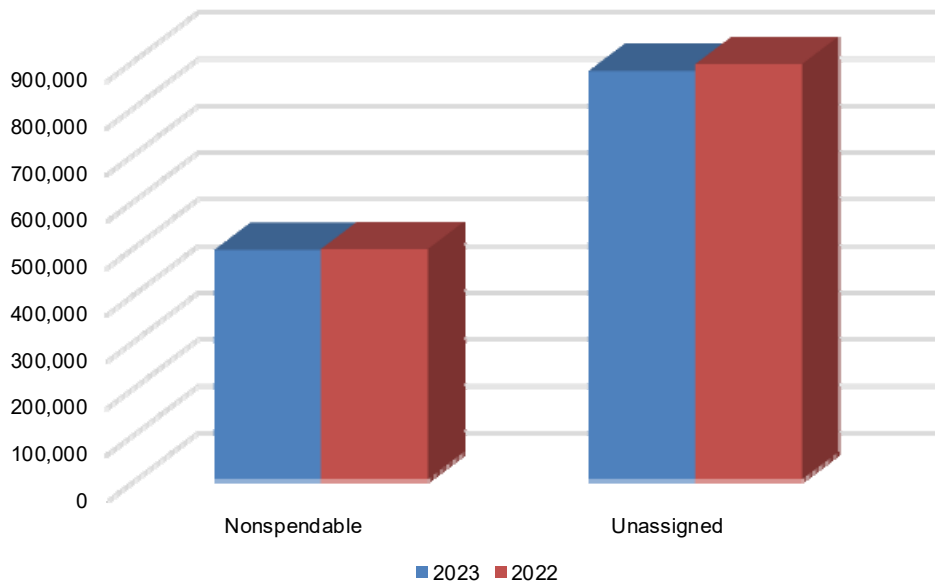
(A Component Unit of the Town of Islip, New York)

Management's Discussion and Analysis June 30, 2023

Financial Analysis of the Agency's Funds - Continued

Components of Fund Balance - Continued

At June 30, 2023, the General Fund had a fund balance of \$1,366,914, which represents 9.43% of all governmental fund balances. Of this amount, \$492,014 relates to prepaid items and properties held for sale and are nonspendable. The remaining \$874,900 is unassigned.



The CDBG Fund accounts for the receipt and expenditures of restricted grant proceeds and program income 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 \$7,689,694, \$3,202,458 of which is restricted to eligible CDBG expenditures, and the remainder of which is related to prepaid expenditures and property held for sale. This is an expenditure driven grant; Federal aid revenues are only recognized when qualifying grant expenditures are made. Program income is recognized when measurable and available.

During the current year, total CDBG federal aid, program income, and interest income was \$3,850,299 while total expenditures were \$3,128,186. The result was a \$722,113 increase in the fund balance.

The HOME Fund accounts for the receipt and expenditure of the Home Investment and Partnership Funds and the related program income. Fund balance of the HOME Fund at year-end was \$2,499,908, all of which is considered nonspendable or restricted to eligible HOME program expenditures. This is an expenditure driven grant; Federal aid revenues are only recognized when qualifying grant expenditures are made. Program income is recognized when measurable and available. Fund balance increased by \$782,036 from the previous year.

Town of Islip Community Development Agency

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

Management's Discussion and Analysis June 30, 2023

Financial Analysis of the Agency's Funds - Continued

Components of Fund Balance - Continued

ERAP2 is an expenditure driven grant to assist renters with COVID-19 related hardships. Due to the nature of this grant, the fund operated at a breakeven for the year ended June 30, 2023.

Other governmental funds have an aggregate fund balance of \$2,936,694 as of June 30, 2023. This is primarily related to HOPWA (\$1,191,717), NSP 1 (\$1,037,769) and NSP 3 (\$230,809) fund balances which represents program income from sale of properties in previous years and mortgage repayments in excess of costs that have accumulated over the years. In addition, ATC has a fund balance of \$471,459 as of June 30, 2023 related to rental income exceeding the operational expenditures. These fund balances will be used to fund the costs to maintain the properties purchased under these grants or will be reinvested in Affordable Housing Programs. Net fund balances of the other governmental funds decreased by \$27,029 from the previous year primarily related to the overall use of program income in the current year.

Capital Assets

As of June 30, 2023, the Agency's investment in capital assets amounts to \$1,510,834 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. Depreciation charges totaled \$57,012 during the current year.

Additional information on the Agency's Capital Assets can be found in Note 5 of the Notes to the Financial Statements on page 33. Capital assets as of June 30, 2023 and 2022 were as follows:

	June 30,	
	2023	2022
Land	\$ 625,505	\$ 625,505
Buildings and improvements	4,104,077	4,050,706
Machinery and equipment	181,069	181,069
	<u>4,910,651</u>	<u>4,857,280</u>
Less accumulated depreciation	<u>(3,399,817)</u>	<u>(3,342,805)</u>
Total capital assets, net	<u>\$ 1,510,834</u>	<u>\$ 1,514,475</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 for the 2023-2024 grant year decreased for the CDBG (8.66%), HOME (7.56%), and ESG (3.81%) grants. This resulted in an overall decrease of \$224,212 in the next budget period or 2023 annual action plan. Due to current economic conditions, the Agency anticipates federal funding will either remain at similar levels or may be further reduced. Federal funding in amounts less than anticipated level may have a negative impact on Agency operations. However, management expects program income will be consistent with prior years and will stabilize any shortfalls of federal funding.

Town of Islip Community Development Agency

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

Management's Discussion and Analysis
June 30, 2023

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, please contact:

Town of Islip Community Development Agency
Finance Department
(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, 2023
ASSETS	
Cash and cash equivalents	\$ 7,517,178
Cash and cash equivalents, restricted	284,973
Accounts receivable	68,297
Prepaid expenses	130,562
Due from other governments	1,018,178
Due from related parties	1,135
Loans and mortgages receivable, net, current portion	628,565
Other receivables	20,742
Property held for sale	6,962,731
Loans and mortgages receivable, net, long-term portion	17,914,535
Long-term assets	
Capital assets	
Non-depreciable	625,505
Depreciable, net	885,329
Total assets	<u>36,057,730</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources, pensions	<u>346,170</u>
LIABILITIES	
Accounts payable and accrued expenses	904,737
Restricted deposits	284,973
Compensated absences due in one year	155,611
Deferred revenue	320,876
Long-term liabilities	
Other postemployment benefits	4,073,643
Compensated absences, due in more than one year	289,426
Net pension liability	375,739
Total liabilities	<u>6,405,005</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources, pensions	22,551
Deferred inflows of resources, OPEB	655,465
Total deferred inflows of resources	<u>678,016</u>
NET POSITION	
Investment in capital assets	1,510,834
Restricted for federal programs	25,915,767
Unrestricted	1,894,278
Total net position	<u><u>\$ 29,320,879</u></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, 2023			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	\$ 172,690	\$ -	\$ 276,435	\$ 103,745
Commercial rehabilitation	109,592	-	100,861	(8,731)
Public facilities and improvements	46,071	-	46,071	-
Public services programs	445,316	-	327,167	(118,149)
Code enforcement	100,000	-	100,000	-
Affordable housing programs	1,202,475	474,180	1,497,743	769,448
Homeless housing programs	219,105	-	219,105	-
Rental property expenditures	448,493	827,762	-	379,269
Other grant program expenditures	197,785	-	3,857	(193,928)
Emergency assistance	6,715,263	-	6,715,263	-
General and administrative	2,039,274	-	1,035,674	(1,003,600)
	<u>\$ 11,696,064</u>	<u>\$ 1,301,942</u>	<u>\$ 10,322,176</u>	
				<u>33,457</u>
				(38,489)
				<u>29,359,368</u>
				<u>\$ 29,320,879</u>

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, 2023					
	General Fund	Home Investment Partnerships Program	Community Development Block Grant	Emergency Rental Assistance Program 2	Other Governmental	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 766,365	\$ 1,026,322	\$ 3,164,699	\$ 327,278	\$ 2,232,514	\$ 7,517,178
Cash and cash equivalents, restricted	138,079	71,547	41,925	-	33,422	284,973
Accounts receivable	-	6,196	8,926	-	53,175	68,297
Due from other governments	-	244,714	403,051	-	370,413	1,018,178
Loans and mortgages receivable, net	55,905	5,568,443	10,312,805	-	2,605,947	18,543,100
Other receivables	-	17,681	-	-	3,061	20,742
Property held for sale	491,704	1,345,525	4,399,703	-	725,799	6,962,731
Prepaid expenditures	310	13,611	87,533	15,184	13,924	130,562
Due from other funds	108,970	38,106	118,636	-	2,344	268,056
Due from related parties	-	-	1,135	-	-	1,135
Total assets	<u>\$ 1,561,333</u>	<u>\$ 8,332,145</u>	<u>\$ 18,538,413</u>	<u>\$ 342,462</u>	<u>\$ 6,040,599</u>	<u>\$ 34,814,952</u>
LIABILITIES						
Accounts payable	\$ 426	\$ 187,817	\$ 315,380	\$ 16,845	\$ 339,354	\$ 859,822
Pension plan payable	9	4,430	29,189	4,622	6,665	44,915
Due to other funds	-	-	149,420	119	118,517	268,056
Restricted deposits	138,079	71,547	41,925	-	33,422	284,973
Deferred revenue	-	-	-	320,876	-	320,876
Total liabilities	<u>138,514</u>	<u>263,794</u>	<u>535,914</u>	<u>342,462</u>	<u>497,958</u>	<u>1,778,642</u>
DEFERRED INFLOWS						
Unavailable resources	55,905	5,568,443	10,312,805	-	2,605,947	18,543,100
FUND BALANCES (DEFICIT)						
Nonspendable	492,014	1,359,136	4,487,236	15,184	739,723	7,093,293
Restricted for federal programs	-	1,140,772	3,202,458	-	1,730,461	6,073,691
Assigned	-	-	-	-	466,510	466,510
Unassigned (deficit)	874,900	-	-	(15,184)	-	859,716
Total fund balances	<u>1,366,914</u>	<u>2,499,908</u>	<u>7,689,694</u>	<u>-</u>	<u>2,936,694</u>	<u>14,493,210</u>
Total liabilities, deferred inflows and fund balances (deficit)	<u>\$ 1,561,333</u>	<u>\$ 8,332,145</u>	<u>\$ 18,538,413</u>	<u>\$ 342,462</u>	<u>\$ 6,040,599</u>	<u>\$ 34,814,952</u>

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

	June 30, 2023
Total Governmental Fund Balances	\$ 14,493,210
<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.	1,510,834
Accounts, loans and mortgages receivable, net that are not available to pay the current-period expenditures are deferred inflows in the funds.	18,543,100
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	346,170
Deferred inflows - Pension	(22,551)
Deferred inflows - OPEB	(655,465)
Some liabilities and assets (listed below) are not due and payable or available, respectively, in the current period and, therefore, are not reported in the funds	
Other postemployment benefits liability	(4,073,643)
Net pension liability	(375,739)
Compensated absences	(445,037)
Net position of Governmental Activities	<u>\$ 29,320,879</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, 2023					Total Governmental Funds
	General Fund	Home Investment Partnerships Program	Community Development Block Grant	Emergency Rental Assistance Program 2	Other Governmental	
REVENUES						
Federal aid	\$ -	\$ 551,457	\$ 2,145,654	\$ 6,097,565	\$ 1,401,895	\$ 10,196,571
State aid	-	-	-	-	125,605	125,605
Program income						
Loan and mortgage repayments	-	545,381	1,210,937	-	159,045	1,915,363
Rental income	-	185,754	460,060	-	181,947	827,761
Miscellaneous revenues	621	10,803	6,749	-	1,796	19,969
Use of money and property						
Interest income	1,500	1	26,899	-	5,057	33,457
Total revenues	<u>2,121</u>	<u>1,293,396</u>	<u>3,850,299</u>	<u>6,097,565</u>	<u>1,875,345</u>	<u>13,118,726</u>
EXPENDITURES						
Residential rehabilitation	-	-	414,364	-	-	414,364
Commercial rehabilitation	-	-	13,268	-	100,000	113,268
Public facilities and improvements	-	-	46,071	-	-	46,071
Public services programs	-	-	460,251	-	-	460,251
Code enforcement	-	-	100,000	-	-	100,000
Affordable housing programs	-	91,881	722,579	-	-	814,460
Homeless housing programs	-	119,105	100,000	-	-	219,105
Rental property expenditures	-	87,681	267,317	-	108,537	463,535
Other grant program expenditures	-	-	-	-	204,419	204,419
Emergency assistance	-	-	-	5,597,448	1,117,815	6,715,263
General and administrative	18,919	212,693	1,004,336	500,117	371,603	2,107,668
Total expenditures	<u>18,919</u>	<u>511,360</u>	<u>3,128,186</u>	<u>6,097,565</u>	<u>1,902,374</u>	<u>11,658,404</u>
Excess (deficiency) of revenues over expenditures	(16,798)	782,036	722,113	-	(27,029)	1,460,322
FUND BALANCES, beginning of year	<u>1,383,712</u>	<u>1,717,872</u>	<u>6,967,581</u>	<u>-</u>	<u>2,963,723</u>	<u>13,032,888</u>
FUND BALANCES, end of year	<u>\$ 1,366,914</u>	<u>\$ 2,499,908</u>	<u>\$ 7,689,694</u>	<u>\$ -</u>	<u>\$ 2,936,694</u>	<u>\$ 14,493,210</u>

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

	Year Ended June 30, 2023
	<hr/>
Net change in fund balances - total governmental funds	\$ 1,460,322
<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	(57,012)
Capital outlays	53,371
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 advanced during the year	228,228
Uncollectible 10-year recapture mortgages	(414,445)
Mortgages collected during the year	(1,461,152)
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	128,654
Change in net pension liability/asset, net of deferred amounts	(62,586)
Change in compensated absences	86,131
	<hr/>
Change in net position of governmental activities	\$ (38,489)
	<hr/> <hr/>

Town of Islip Community Development Agency

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

Notes to Financial Statements

June 30, 2023

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.

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 and related COVID-19 relief program;
- Home Investment Partnership Program and related COVID-19 relief program;
- Neighborhood Stabilization Grant Programs;
- Emergency Solutions Grant Program and related COVID-19 relief program; and
- Housing Opportunities for Persons with AIDS Program.

The Agency has also been designated by the Town to administer its federally funded programs from the U.S. Department of the Treasury (Emergency Rental Assistance Programs) as well as its New York State funded Downtown Revitalization Initiative 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 Agency'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, 2023

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, the proportionate share of the net pension liability, other postretirement benefits, and claims and judgments (as applicable), are recorded only when payment is due. 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, if applicable.

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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred, 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 120 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 Agency'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:
 - Home Investment Partnerships 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 Partnerships Program (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 to 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 for eligible expenditures.

Town of Islip Community Development Agency

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

Notes to Financial Statements

June 30, 2023

Note 1 - Summary of Significant Accounting Policies - Continued

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

• Special Revenue Funds - Continued

- 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 four 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 income.
 - ♦ 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.
 - ♦ EIC Fund – The East Islip Congregate fund (EIC) accounts for the receipts and disbursements of funds related to 18 housing units located at Harwood Avenue in East Islip, New York. These units are rented under the Section 8 Project Based Assistance Housing Voucher Program.
 - ♦ 911 Lowell Avenue Fund – This fund accounts for the operations of senior apartments in Central Islip. These units are rented under the Section 8 Project Based Assistance Housing Voucher Program.
- Emergency Rental Assistance – ARPA Fund (ERAP2) – This special revenue fund accounts for the receipt and disbursement of funds related to the U.S. Department of Treasury funded emergency rental assistance program as expanded by the American Rescue Plan Act (APRA). The ERAP2 fund is used to provide emergency rental, mortgage, and utility assistance to individuals impacted by the COVID-19 pandemic.

• Non-Major Funds

- Community Development Block Grant – CARES Act (CDBG-CV) Fund – This special revenue fund accounts for the receipt and disbursement of funds related to the HUD funded CDBG program as expanded by the CARES Act. The CDBG-CV fund is used to prevent, prepare for, and respond to the COVID-19 pandemic.
- Emergency Solutions Grant (ESG) Fund – This special revenue fund accounts for the receipt and disbursement of funds related to the HUD funded Emergency Shelter Grant 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.
- Emergency Solutions Grant – CARES Act (ESG-CV) Fund – This special revenue fund accounts for the receipt and disbursement of funds related to the HUD funded Emergency Shelter program as expanded by the CARES Act. The ESG-CV fund is used to prevent, prepare for, and respond to the COVID-19 pandemic as it relates to homelessness.

Town of Islip Community Development Agency

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

Notes to Financial Statements

June 30, 2023

Note 1 - Summary of Significant Accounting Policies - Continued

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

• Non-Major Funds - Continued

- Home Investment Partnership Program – ARPA Fund (HOME-ARP) - This special revenue fund accounts for the receipt and disbursement of funds related to HUD funded Home Investment Partnership Program Funds (HOME). As expanded by the American Rescue Plan Act (ARPA), the fund is used to build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people impacted by the COVID-19 pandemic.
- 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.
- 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. The funds are provided for the purpose of stabilizing communities that have suffered from foreclosures and abandonment.
- 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.
- Emergency Rental Assistance – CARES Act Fund (ERAP1) – This special revenue fund accounts for the receipt and disbursement of funds related to the U.S. Department of Treasury funded emergency rental assistance program as established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The ERAP1 fund is used to provide emergency rental, mortgage, and utility assistance to individuals impacted by the COVID-19 pandemic.
- Downtown Revitalization Initiative (DRI) Fund – This special revenue fund accounts for receipts and expenditures of grant funds related to the New York State DRI led by the New York State Department of State. The DRI fund is used to transform downtown neighborhoods into vibrant centers that offer a high quality of life and are magnets for redevelopment, business, job creation, and economic and housing diversity.

Town of Islip Community Development Agency

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

Notes to Financial Statements

June 30, 2023

Note 1 - Summary of Significant Accounting Policies - Continued

d. Budgetary Information

The Agency annually develops and submits its Annual Action Plan (Action Plan) to HUD. The Action Plan is the Agency's comprehensive planning document and application for funding under the CDBG, HOME, and ESG grants. The related COVID-19 relief programs were included in previous years' Plans.

In its Action 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 Action Plan and its performance under the Action Plan. Also, the Action 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. As required by HUD, the Agency holds public hearings, advertises in local newspapers, and holds input meetings, before adopting the Action Plan.

Upon approval of the Action Plan, HUD makes a full grant award.

The Agency's 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's Citizen Participation Plan requires a substantial amendment to the Annual Plan if the total dollar amount of the grant funds allocated or a budgeted activity change by more than 10 percent, or if a new activity is created in a program year.

e. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits, which are both interest bearing and non-interest bearing, 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, 2023.

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.

Town of Islip Community Development Agency

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

Notes to Financial Statements June 30, 2023

Note 1 - Summary of Significant Accounting Policies - Continued

g. Capital Assets - Continued

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, 2023.

h. Loans and Mortgages Receivable, and Related Allowance

Loans receivable represent loans made to qualifying Town of Islip property owners for eligible repairs to their homes up to a maximum of \$50,000. The owner's property serves as collateral for these receivables. Recipients repay the cost of improvements with no interest, over periods of five to fifteen years under an installment plan.

Mortgages receivable represent amounts due to the Agency relating to sales of properties previously owned by the Agency. The properties serve as collateral for the underlying mortgages. Individual mortgages may include one of the following:

- (1) A purchase money mortgage, payable over the life of the loan;
- (2) An interest-free, deferred mortgage payable 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 within the first 10 to 15 years of the mortgage.

Purchase money mortgages offered by the Agency have current interest rates of 3% to 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 3% to 7%.

An allowance is provided on 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,

Town of Islip Community Development Agency

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

Notes to Financial Statements

June 30, 2023

Note 1 - Summary of Significant Accounting Policies - Continued

h. Loans and Mortgages Receivable, and Related Allowance

the Agency considers it highly probable that borrowers with these types of mortgages will occupy their property for the required 10 to 15 years. Accordingly, the Agency has fully reserved for all such mortgages. The allowance for uncollectable mortgages receivable was \$1,179,950 at June 30, 2023, all of which was attributable to soft subsidized mortgages. All mortgages become due and payable upon default of any of the terms, sale of the property, change in any form of ownership of the property, or other defaults of the underlying terms or obligations of the agreements.

Loans 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 as part of the affordable housing program is valued at the lower of cost or expected net realizable value and is recorded in the General, HOME, CDBG, NSP, and NSP3 funds. Expenditures in excess of net realizable value are reported as affordable housing expense/expenditures. 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 carrying value is recorded as a component of other program income.

j. Deferred Outflows and Inflows of Resources and Deferred Revenues

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 loans 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 or a loan is issued, a mortgage or loan receivable and a deferred inflow of resources is recorded, with revenue recognized as payments on the mortgages or loans 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.

Deferred revenue arises when resources are received by the Agency before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, or when the Agency has legal claim to the resources, the liability is removed, and revenue is recognized.

k. Compensated Absences

- Vacation – The Agency's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from Agency service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is 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.

Town of Islip Community Development Agency

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

Notes to Financial Statements

June 30, 2023

Note 1 - Summary of Significant Accounting Policies - Continued

k. Compensated Absences - Continued

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 hired after June 1, 1987, are enrolled 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 disclosed in Note 6.

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 assets are held by John Hancock. The plan covers two (2) 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, 2023 amounted to \$44,915.

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. 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 disclosed in Note 7.

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.

Town of Islip Community Development Agency

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

Notes to Financial Statements June 30, 2023

Note 1 - Summary of Significant Accounting Policies - Continued

n. Net Position and Fund Balance - Continued

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.

o. Program Revenues

Amounts reported as program revenues primarily include: 1) rents collected from Agency owned properties and mortgage and loan interest income; 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 February 8, 2024, the date the financial statements were available to be issued.

Note 2 - Cash and Cash Equivalents

As of June 30, 2023, the reconciliation of the carrying amount of cash and cash equivalents was as follows:

Cash and cash equivalents	\$ 7,517,178
Cash and cash equivalents, restricted	<u>284,973</u>
Total cash and cash equivalents	<u>\$ 7,802,151</u>

Town of Islip Community Development Agency

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

Notes to Financial Statements June 30, 2023

Note 2 - Cash and Cash Equivalents - Continued

Petty cash	\$	200
Demand deposits		3,686,278
Money market accounts		4,115,673
Total cash and cash equivalents	\$	7,802,151

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 as of June 30, 2023. 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.

Note 3 - Loans and Mortgages Receivable

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

Fund	Balance June 30, 2022	Additions	Reductions	Reserved for Subsidized Mortgages	Balance June 30, 2023
General	\$ 55,905	\$ -	\$ -	\$ -	\$ 55,905
CDBG	11,249,576	228,228	978,054	186,945	10,312,805
HOME	6,203,125	-	407,182	227,500	5,568,443
Non-major	2,681,863	-	75,916	-	2,605,947
Total	\$ 20,190,469	\$ 228,228	\$ 1,461,152	\$ 414,445	\$ 18,543,100

The classification of loans and mortgages receivable, net at June 30, 2023 is as follows:

	Fund				Total
	General	HOME	CDBG	Non-Major	
Loans and mortgages receivable	\$ 55,905	\$ 6,188,443	\$ 10,432,755	\$ 3,045,947	\$ 19,723,050
Reserve for subsidized mortgages	-	(620,000)	(119,950)	(440,000)	(1,179,950)
Loans and mortgages receivable, net	\$ 55,905	\$ 5,568,443	\$ 10,312,805	\$ 2,605,947	\$ 18,543,100

Town of Islip Community Development Agency

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

Notes to Financial Statements June 30, 2023

Note 4 - Property Held for Sale

During the year ended June 30, 2023, the changes in property held for sale were as follows:

Fund	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023
CDBG	\$ 3,479,863	\$ 1,350,125	\$ 430,285	\$ 4,399,703
HOME	882,614	643,599	180,688	1,345,525
General	493,421	-	1,717	491,704
Non-major	696,592	45,732	16,525	725,799
Total	<u>\$ 5,552,490</u>	<u>\$ 2,039,456</u>	<u>\$ 629,215</u>	<u>\$ 6,962,731</u>

Note 5 - Capital Assets

For the year ended June 30, 2023, capital assets activities were as follows:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023
Non-depreciable assets, land	\$ 625,505	\$ -	\$ -	\$ 625,505
Depreciable assets				
Buildings and improvements	4,050,706	53,371	-	4,104,077
Machinery and equipment	181,069	-	-	181,069
Total capital assets	<u>4,231,775</u>	<u>53,371</u>	<u>-</u>	<u>4,285,146</u>
Less accumulated depreciation				
Building and improvements	(3,193,132)	(46,972)	-	(3,240,104)
Machinery and equipment	(149,673)	(10,040)	-	(159,713)
Total accumulated depreciation	<u>(3,342,805)</u>	<u>(57,012)</u>	<u>-</u>	<u>(3,399,817)</u>
Total depreciable assets	<u>888,970</u>	<u>(3,641)</u>	<u>-</u>	<u>885,329</u>
Total capital assets, net	<u>\$ 1,514,475</u>	<u>\$ (3,641)</u>	<u>\$ -</u>	<u>\$ 1,510,834</u>

Depreciation expense of \$57,012 for the year ended June 30, 2023 was charged to different functions as follows:

Residential rehabilitation	\$ 7,520
Commercial rehabilitation	2,056
Public facilities improvement	836
Public service programs	8,352
General and administration	<u>38,248</u>
Total depreciation expense	<u>\$ 57,012</u>

Town of Islip Community Development Agency

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

Notes to Financial Statements June 30, 2023

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 osc.state.ny.us/retirement.

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. Members need five years to be 100 percent vested.

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 Agency's contributions for the current year and two preceding years were equal to 100% of the required contributions, and were as follows:

2023	\$	96,995
2022		106,895
2021		90,455

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

At June 30, 2023, the Agency reported a liability of \$375,739 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2023, and the total pension liability was determined by an actuarial valuation as of April 1, 2022. 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, 2023 measurement date, the Agency's proportionate share was 0.0017522%.

Town of Islip Community Development Agency

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Notes to Financial Statements June 30, 2023

Note 6 - Retirement System - Continued

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

For the year ended June 30, 2023, the Agency recognized pension expense of \$162,181. At June 30, 2023, 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	\$ 40,019	\$ 10,552
Changes of assumptions	182,483	2,017
Net differences between projected and actual investment earnings on pension plan investments	-	2,207
Changes in proportion and differences between employer contributions and proportionate share of contributions	96,820	7,775
Agency contributions subsequent to the measurement date	26,848	-
Total	\$ 346,170	\$ 22,551

Agency contributions subsequent to the measurement date will be recognized as an adjustment of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	
2024	\$ 80,410
2025	5,828
2026	98,874
2027	111,659
Total	\$ 296,771

d. Actuarial Assumptions

The actuarial assumptions used in the April 1, 2022 valuation, with updated procedures used to roll forward the total pension liability to March 31, 2023, were based on the results of an actuarial experience study for the period April 1, 2015 to March 31, 2020.

These assumptions are:

Actuarial Cost Method	Entry age normal
Inflation Rate	2.9 percent
Salary Scale	4.4 percent, indexed by service
Investment rate of return	5.9 percent compounded annually, net of expenses
Cost of living adjustments	1.5% annually
Mortality	Developed from the Plan's 2020 experience study of the period April 1, 2015 through March 31, 2020 Mortality improvement Society of Actuaries Scale MP-2021

Town of Islip Community Development Agency

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Notes to Financial Statements June 30, 2023

Note 6 - Retirement System - Continued

d. 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.

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2023, are summarized below:

Asset Type	Target Allocation	Long-Term Expected Real Rate
Domestic equity	32.0%	4.30%
International equity	15.0%	6.85%
Private equity	10.0%	7.50%
Real estate	9.0%	4.60%
Opportunistic/absolute return strategies	3.0%	5.38%
Credit	4.0%	5.43%
Real assets	3.0%	5.84%
Fixed income	23.0%	1.50%
Cash	1.0%	0.00%
	100.00%	

e. 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.

f. 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 5.9% and the impact of using a discount rate that is 1% higher or lower than the current rate:

	1% Decrease (4.9%)	Current Discount (5.9%)	1% Increase (6.9%)
Agency's proportionate share of the net pension liability (asset)	\$ 908,001	\$ 375,739	\$ (69,027)

Town of Islip Community Development Agency

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Notes to Financial Statements June 30, 2023

Note 6 - Retirement System - Continued

g. 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, 2023 were as follows (amounts in thousands):

Employers' total pension liability	\$ 232,627,259
Plan net position	<u>(211,183,223)</u>
 Employers' net pension liability	 <u>\$ 21,444,036</u>
 Ratio of plan net position to the employers' total pension liability	 <u>90.78%</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 January 1, 2021 is as follows:

	Actives	Inactives Not Receiving Benefits	Inactives Receiving Benefits	Total Census
Male	4	-	1	5
Female	5	-	5	10
Total	9	-	6	15

There have been no significant changes in the number of employees or type of coverage through June 30, 2023.

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.

Town of Islip Community Development Agency

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Notes to Financial Statements June 30, 2023

Note 7 - Postemployment Benefits - Continued

a. OPEB Benefits - Continued

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. Current benefits for retirees for the fiscal year ended June 30, 2023 approximate \$151,000. 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.

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

At June 30, 2023, the Agency reported a liability of \$4,073,643 for its OPEB liability. The OPEB liability was measured as of January 1, 2021 by an actuarial valuation as of that date. For the year ended June 30, 2023, the Agency recognized OPEB expense of \$22,664. At June 30, 2023, the Agency reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,219
Changes of assumptions	630,246
Total	\$ 655,465

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,	
2024	(215,406)
2025	(174,573)
2026	(160,234)
2027	(105,141)
2028	(111)
Total	\$ (655,465)

Actuarial Assumptions.

The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions:

Assumptions	Factor
Discount Rate	3.65%
Measurement Date	January 1, 2021
Participant salary increase	3.5%, annually
Payroll growth rate	2.5%, annually

Town of Islip Community Development Agency

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Notes to Financial Statements June 30, 2023

Note 7 - Postemployment Benefits - Continued

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

Assumptions	Factor
Health care trend rate	2021 - 7.00%; 2022 - 6.50%; 2023 - 6.00%; 2024 - 5.50% 2025 and thereafter - 5.00%
Mortality	Unisex pre-retirement mortality rates and postretirement mortality rates for healthy participants (sex distinct for non-policy employees and retirees) using projection scale MP-2020.
Employer asset return	0.00%
Actuarial cost method	Entry age normal over a level percentage of pay
Participation rate	100%

The discount rate used to measure the liability was 3.65%, based on the Bond Buyer 20-year general obligation bond index.

c. Schedule of Changes in Net OPEB Liability

The following table presents the changes in net OPEB liability as of June 30, 2023:

Balance at January 1, 2022	<u>\$ 4,695,081</u>
<i>Changes for the year</i>	
Service cost	132,240
Interest	143,828
Differences between expected and actual experience	-
Changes in assumptions and other inputs	(746,188)
Benefit payments	<u>(151,318)</u>
Net changes	<u>(621,438)</u>
Balance at June 30, 2023	<u><u>\$ 4,073,643</u></u>

d. 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 as of June 30, 2023 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:

	1% Decrease	(6.00% Decreasing to 5.00%)	1% Increase
Agency's OPEB Liability	<u>\$ 3,512,963</u>	<u>\$ 4,073,643</u>	<u>\$ 4,802,533</u>

Town of Islip Community Development Agency

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

Notes to Financial Statements June 30, 2023

Note 7 - Postemployment Benefits - Continued

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

The following presents the OPEB liability as of June 30, 2023, calculated using the discount rate of 3.65%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.65%) or 1-percentage-point higher (4.65%) than the current rate:

	1% Decrease 2.65%	Current Discount 3.65%	1% Increase 4.65%
Agency's OPEB Liability	\$ 4,458,294	\$ 4,073,643	\$ 3,829,328

Note 8 - Compensated Absences

A summary of changes in compensated absences for the year ended June 30, 2023, is as follows:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
Compensated absences	\$ 531,168	\$ 265,033	\$ 351,164	\$ 445,037	\$ 155,611

Note 9 - Related Party Transactions

Islip's Housing Development Fund Company, Inc. (Fund)

The Fund 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). The Fund is a component unit of the Town of Islip.

The Agency has contracted with Fund for the construction of new homes for first-time homebuyers under HOME. Also, the Agency contracts with the Fund for the acquisition/rehabilitation of existing scattered site homes under the HOME and CDBG Programs for rental or rent-with-option to buy housing. Upon expiration of this agreement, the Fund will transfer to the Agency any unexpended CDBG funds and any receivables attributable to the use of CDBG funds. Amounts received for the year ended June 30, 2023 by the Fund from the Agency for contracted services was \$890,108.

The Fund utilizes the employees of the Agency to perform bookkeeping, project management, maintenance, and grounds keeping services. The Fund reimburses the Agency for the cost of these services. Amounts reimbursed to the Agency by the Fund for these services were \$99,583 for the year ended June 30, 2023.

Town of Islip Community Development Agency

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Notes to Financial Statements

June 30, 2023

Note 9 - Related Party Transactions - Continued

Town of Islip

The Agency has an agreement with the Town in which the Town provides certain services related to code enforcement in designated areas. The Agency reimburses the Town \$100,000 on an annual basis for these services with CDBG funds. In addition, the Agency will provide grant funds to the Town as necessary for certain public facility and improvement projects in designated areas. For the year ended June 30, 2023, the Town was granted \$23,600 for a street lighting project.

Note 10 - Concentration of Credit Risk Arising from Economic Dependency

Federal grants during the year provided approximately 77.5% of Agency revenues during the fiscal year ended June 30, 2023. This funding primarily relates to two significant ongoing programs funded by the HUD including the CDBG (16.5%) and HOME (4.3%) programs as well as short-term programs funded by the U.S. Department of the Treasury ERAP2 (47.0%). These programs have a significant impact on the Agency's financial condition.

The Town of Brookhaven assumed 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. Prior grant funds were fully expended during 2021. The Agency will continue spending program income until it is fully expended.

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 loans 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 certain property determined to be environmentally contaminated prior to the Agency's acquisition. The Agency has been advised that the 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.

Town of Islip Community Development Agency

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Notes to Financial Statements

June 30, 2023

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. 99, *Omnibus 2022*. This statement addresses a variety of topics. The requirements of this statement related to the extension of the use of LIBOR, accounting for Supplement Nutrition Assistance Program distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of the provisions of GASB Statement No. 34, *Basis Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended, and terminology updates related to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53), and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, were effective upon issuance of the statement in April 2022. The requirements of this statement related to leases, PPPs, and SBITAs are effective for reporting periods beginning after June 15, 2022. The requirements of this statement related to financial guarantees and the classification of reporting of derivative instruments within the scope of GASB 53 are effective for reporting periods beginning after June 15, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections*. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and change to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting – understandability, reliability, relevance, timeliness, consistency, and comparability. This statement also addresses corrections of errors in previously issued financial statements. This statement prescribes the accounting and financial reporting for (1) each type of accounting changes and (2) error corrections. This statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. This statement requires disclosures in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about quantitative effects of beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information and supplementary information. For periods that are earlier than those included in the basic financial statements, information presented as required supplementary information and supplementary information should be restated for error corrections, if practicable, but not for changes in accounting principles. The requirements of this statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Town of Islip Community Development Agency

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Notes to Financial Statements

June 30, 2023

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

GASB Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. This statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 102, *Certain Risk Disclosures*. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition. This Statement is effective for reporting periods beginning after June 15, 2024, and all reporting periods thereafter.

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

Town of Islip Community Development Agency

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

Schedule of Other Postemployment Benefits Liability

	June 30,					
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning of Year	\$ 4,695,081	\$ 4,769,941	\$ 4,299,191	\$ 4,096,694	\$ 3,938,829	\$ 3,584,260
Changes for the year						
Service cost	132,240	182,232	135,536	93,619	135,461	121,330
Interest	143,828	98,730	119,798	143,736	138,181	138,237
Differences between expected and actual experience	-	(85,270)	(54,531)	(428,886)	-	-
Changes in assumptions and other inputs	(746,188)	(149,757)	395,880	504,306	-	192,906
Benefit payments	(151,318)	(120,795)	(125,933)	(110,278)	(115,777)	(97,904)
End of Year	<u>\$ 4,073,643</u>	<u>\$ 4,695,081</u>	<u>\$ 4,769,941</u>	<u>\$ 4,299,191</u>	<u>\$ 4,096,694</u>	<u>\$ 3,938,829</u>
Covered payroll	\$ 799,656	\$ 770,579	\$ 731,632	\$ 713,787	\$ 781,751	\$ 762,684
OPEB liability as a percentage of covered payroll	509.42%	609.29%	651.96%	602.31%	524.04%	516.44%

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 Proportionate Share of Net Pension Liability (Asset)

	2023	2022	2021	2020	June 30, 2019	2018	2017	2016	2015
Agency's proportion of the net pension liability/asset	0.0017522%	0.0016039%	0.0012954%	0.0014678%	0.0014367%	0.0019096%	0.0019108%	0.0021311%	0.0019019%
Agency's proportionate share of the net pension liability (asset)	\$ 375,739	\$ (131,109)	\$ 1,290	\$ 388,687	\$ 101,792	\$ 61,632	\$ 179,542	\$ 342,050	\$ 64,249
Agency's covered-employee payroll	\$ 900,384	\$ 688,470	\$ 648,692	\$ 576,524	\$ 544,539	\$ 626,959	\$ 670,519	\$ 678,763	\$ 626,495
Agency's proportionate share of the net pension liability/asset as a percentage of its covered-employee payroll	41.73%	-19.04%	0.20%	67.42%	18.69%	9.83%	26.78%	50.39%	10.26%
Plan fiduciary net position as a percentage of the total pension liability	90.78%	103.65%	99.95%	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,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 96,995	\$ 106,895	\$ 90,455	\$ 82,635	\$ 79,180	\$ 90,532	\$ 95,245	\$ 116,891	\$ 90,346
Contributions in relation to the contractually required contribution	96,995	106,895	90,455	82,635	79,180	90,532	95,245	116,891	90,346
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
Agency's covered-employee payroll	900,384	688,470	648,692	576,524	544,539	626,959	670,519	678,763	626,495
Contribution as a percentage of covered-employee payroll	10.77%	15.53%	13.94%	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, 2023					
	East Islip Congregate	Community Development Block Grant	Rental Unit Management	911 Lowell Avenue	Eliminations	Total CDBG
ASSETS						
Cash and cash equivalents	\$ 398,180	\$ 2,380,082	\$ 373,596	\$ 12,841	\$ -	\$ 3,164,699
Cash and cash equivalents, restricted	20,805	4,158	13,066	3,896	-	41,925
Accounts receivable	5,806	-	3,120	-	-	8,926
Due from other governments	-	403,051	-	-	-	403,051
Loans and mortgages receivable, net	-	10,312,805	-	-	-	10,312,805
Property held for sale	-	4,399,703	-	-	-	4,399,703
Prepaid expenditures	9,584	68,413	7,312	2,224	-	87,533
Due from other funds	-	529,855	-	-	(411,219)	118,636
Due from related parties	-	1,135	-	-	-	1,135
Total assets	\$ 434,375	\$ 18,099,202	\$ 397,094	\$ 18,961	\$ (411,219)	\$ 18,538,413
LIABILITIES						
Accounts payable	9,159	293,266	8,885	4,070	\$ -	\$ 315,380
Pension plan payable	1,585	24,835	1,837	932	-	29,189
Due to other funds	155	134,244	510	425,730	(411,219)	149,420
Restricted deposits	20,805	4,158	13,066	3,896	-	41,925
Total liabilities	31,704	456,503	24,298	434,628	(411,219)	535,914
DEFERRED INFLOWS						
Unavailable resources	-	10,312,805	-	-	-	10,312,805
FUND BALANCES						
Nonspendable	9,584	4,468,116	7,312	2,224	-	4,487,236
Restricted for federal programs	393,087	2,861,778	365,484	(417,891)	-	3,202,458
Total fund balances	402,671	7,329,894	372,796	(415,667)	-	7,689,694
Total liabilities, deferred inflows and fund balances	\$ 434,375	\$ 18,099,202	\$ 397,094	\$ 18,961	\$ (411,219)	\$ 18,538,413

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 - Community Development Block Grant Sub-Funds

	June 30, 2023				
	East Islip Congregate	Community Development Block Grant	Rental Unit Management	911 Lowell Avenue	Total CDBG
REVENUES					
Federal aid	-	2,145,654	-	-	\$ 2,145,654
Program income					
Loan and mortgage repayments	-	1,210,937	-	-	1,210,937
Rental income	180,895	61,938	162,847	54,380	460,060
Miscellaneous revenues	771	5,696	264	18	6,749
Use of money and property					
Interest income	1,284	24,637	975	3	26,899
Total revenues	182,950	3,448,862	164,086	54,401	3,850,299
EXPENDITURES					
Residential rehabilitation	-	414,364	-	-	414,364
Commercial rehabilitation	-	13,268	-	-	13,268
Public facilities and improvements	-	46,071	-	-	46,071
Public services programs	-	460,251	-	-	460,251
Code enforcement	-	100,000	-	-	100,000
Affordable housing programs	-	722,579	-	-	722,579
Homeless housing programs	-	100,000	-	-	100,000
Rental properties expenditures	140,038	-	84,712	42,567	267,317
General and administrative	59,304	819,101	96,187	29,744	1,004,336
Total expenditures	199,342	2,675,634	180,899	72,311	3,128,186
Excess (deficiency) of revenues over expenditures	(16,392)	773,228	(16,813)	(17,910)	722,113
FUND BALANCES, beginning of year	419,063	6,556,666	389,609	(397,757)	6,967,581
FUND BALANCES, end of year	\$ 402,671	\$ 7,329,894	\$ 372,796	\$ (415,667)	\$ 7,689,694

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, 2023

	Community Development Block Grant - CARES Act	Emergency Shelter Program	Emergency Shelter Program - CARES Act	HOME Investment Partnerships American Rescue Plan Program	Housing Opportunities For Persons With AIDS	Neighborhood Stabilization Program	Neighborhood Stabilization Program 3	Downtown Revitalization Initiative	Applied Technology Center	Total Other Governmental
ASSETS										
Cash and cash equivalents	\$ 391	\$ 268	\$ 27	\$ -	\$ 1,190,149	\$ 428,151	\$ 138,459	\$ -	\$ 475,069	\$ 2,232,514
Cash and cash equivalents, restricted	-	-	-	-	-	13,008	8,773	-	11,641	33,422
Accounts Receivable	50,000	-	-	-	-	3,175	-	-	-	53,175
Due from other governments	35,877	49,600	127,374	22,610	-	-	-	134,952	-	370,413
Loans and mortgages receivable, net	-	-	-	-	-	1,761,522	844,425	-	-	2,605,947
Other receivables	-	-	-	-	-	2,372	689	-	-	3,061
Property held for sale	-	-	-	-	-	634,251	91,548	-	-	725,799
Prepaid expenditures	2,369	535	917	570	573	2,610	1,039	362	4,949	13,924
Due from other funds	-	-	-	-	2,344	-	-	-	-	2,344
Total assets	\$ 88,637	\$ 50,403	\$ 128,318	\$ 23,180	\$ 1,193,066	\$ 2,845,089	\$ 1,084,933	\$ 135,314	\$ 491,659	\$ 6,040,599
LIABILITIES										
Accounts payable	\$ 55,749	\$ 32,684	\$ 108,969	\$ 92	\$ 992	\$ 32,389	\$ 777	\$ 100,093	\$ 7,609	\$ 339,354
Pension plan payable	2,111	544	1,216	1,110	357	-	-	449	878	6,665
Due to other funds	28,408	16,480	17,189	21,408	-	401	149	34,410	72	118,517
Restricted deposits	-	-	-	-	-	13,008	8,773	-	11,641	33,422
Total liabilities	86,268	49,708	127,374	22,610	1,349	45,798	9,699	134,952	20,200	497,958
DEFERRED INFLOWS										
Unavailable resources	-	-	-	-	-	1,761,522	844,425	-	-	2,605,947
FUND BALANCES										
Nonspendable	2,369	535	917	570	573	636,861	92,587	362	4,949	739,723
Restricted for federal programs	-	160	27	-	1,191,144	400,908	138,222	-	-	1,730,461
Assigned	-	-	-	-	-	-	-	-	466,510	466,510
Total fund balances	2,369	695	944	570	1,191,717	1,037,769	230,809	362	471,459	2,936,694
Total liabilities, deferred inflows and fund balances	\$ 88,637	\$ 50,403	\$ 128,318	\$ 23,180	\$ 1,193,066	\$ 2,845,089	\$ 1,084,933	\$ 135,314	\$ 491,659	\$ 6,040,599

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, 2023										
	Community Development Block Grant - CARES Act	Emergency Shelter Program	Emergency Shelter Program - CARES Act	HOME Investment Partnerships American Rescue Plan Program	Housing Opportunities For Persons With AIDS	Neighborhood Stabilization Program	Neighborhood Stabilization Program 3	Downtown Revitalization Initiative	Applied Technology Center	Emergency Rental Assistance Program 1	Total Other Governmental
REVENUES											
Federal aid	\$ 734,448	\$ 59,824	\$ 452,590	\$ 18,223	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 136,810	\$ 1,401,895
State aid	-	-	-	-	-	-	-	125,605	-	-	125,605
Program income											
Loan and mortgage repayments	-	-	-	-	-	117,412	41,633	-	-	-	159,045
Rental Income	-	-	-	-	-	30,875	-	-	151,072	-	181,947
Miscellaneous revenues	-	-	-	-	-	909	887	-	-	-	1,796
Use of money and property											
Interest Income	-	-	-	-	-	2	-	-	5,055	-	5,057
Total revenues	<u>734,448</u>	<u>59,824</u>	<u>452,590</u>	<u>18,223</u>	<u>-</u>	<u>149,198</u>	<u>42,520</u>	<u>125,605</u>	<u>156,127</u>	<u>136,810</u>	<u>1,875,345</u>
EXPENDITURES											
Commercial rehabilitation	-	-	-	-	-	-	-	100,000	-	-	100,000
Rental property expenditures	-	-	-	-	-	3,897	-	-	104,640	-	108,537
Other grant program expenditures	-	3,857	-	-	175,577	15,675	9,310	-	-	-	204,419
Emergency assistance	677,571	29,107	411,137	-	-	-	-	-	-	-	1,117,815
General and administrative	56,449	26,498	41,016	17,758	22,665	7,968	548	26,160	35,731	136,810	371,603
Total expenditures	<u>734,020</u>	<u>59,462</u>	<u>452,153</u>	<u>17,758</u>	<u>198,242</u>	<u>27,540</u>	<u>9,858</u>	<u>126,160</u>	<u>140,371</u>	<u>136,810</u>	<u>1,902,374</u>
Excess (deficiency) of revenues over expenditures	428	362	437	465	(198,242)	121,658	32,662	(555)	15,756	-	(27,029)
FUND BALANCES, beginning of year	<u>1,941</u>	<u>333</u>	<u>507</u>	<u>105</u>	<u>1,389,959</u>	<u>916,111</u>	<u>198,147</u>	<u>917</u>	<u>455,703</u>	<u>-</u>	<u>2,963,723</u>
FUND BALANCES, end of year	<u>\$ 2,369</u>	<u>\$ 695</u>	<u>\$ 944</u>	<u>\$ 570</u>	<u>\$ 1,191,717</u>	<u>\$ 1,037,769</u>	<u>\$ 230,809</u>	<u>\$ 362</u>	<u>\$ 471,459</u>	<u>\$ -</u>	<u>\$ 2,936,694</u>