

**Town of Hempstead
Industrial Development Agency**

FINANCIAL REPORT

December 31, 2014

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Town of Hempstead Industrial Development Agency's (the Agency) financial performance provides an overview of the Agency's financial activities for the fiscal year ended December 31, 2014. Please read this in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights:

- The assets of the Agency exceeded its liabilities at December 31, 2014 by \$3,142,873.
- The Agency's total assets increased by \$608,765 in the year 2014. The Agency's total liabilities increased by \$106,810 in the year 2014.
- As of the close of the current year, the Agency reported net position of \$3,142,873, an increase of \$501,955.

Basic Financial Statements:

- The financial statements presented herein include all of the activities of the Agency.
- The financial statements present the financial picture of the Agency, which is an enterprise type fund and, accordingly, reflects business-type activities. These statements include all assets of the Agency as well as liabilities.
- The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found immediately following the financial statements.
- The Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position report information about the Agency as a whole and about its activities. These statements include all assets and liabilities of the Agency using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are then taken into account regardless of when cash is received or paid.

These two statements report the Agency's net position and change in net position. The net position represents the difference between assets and liabilities, which is one way to measure the Agency's financial health or financial position. Over time, increases or decreases in the Agency's net position are one indicator of whether its financial health is improving or deteriorating.

Condensed Comparative Financial Statements:**Condensed Balance Sheets at December 31,**

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current assets	\$3,853,877	\$3,237,267	\$616,610	19.05%
Property and equipment	<u>52,410</u>	<u>60,255</u>	<u>(7,845)</u>	(13.02)
Total assets	<u>\$3,906,287</u>	<u>\$3,297,522</u>	<u>\$608,765</u>	18.47%
Current liabilities	\$ 131,568	\$ 128,258	\$ 3,310	2.58%
Long-term liabilities	<u>631,846</u>	<u>528,346</u>	<u>103,500</u>	19.59
Total liabilities	<u>763,414</u>	<u>656,604</u>	<u>106,810</u>	16.27
Net position:				
Invested in capital assets	52,410	60,255	(7,845)	(13.02)
Unrestricted	<u>3,090,463</u>	<u>2,580,663</u>	<u>509,800</u>	19.76
Total net position	<u>3,142,873</u>	<u>2,640,918</u>	<u>501,955</u>	19.01
Total liabilities and net position	<u>\$3,906,287</u>	<u>\$3,297,522</u>	<u>\$608,765</u>	18.47%

**Condensed Statements of Revenues, Expenses and
Change in Net Position for the Years Ended December 31,**

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Total operating revenue	\$1,551,357	\$1,113,753	\$437,604	39.29%
Total operating expenses	<u>1,054,247</u>	<u>1,023,449</u>	<u>(30,798)</u>	(3.01)
Operating income (loss)	497,110	90,304	406,806	450.49
Non-operating revenues (expenses)	<u>4,845</u>	<u>4,953</u>	<u>(108)</u>	(2.18)
Change in net position	<u>\$ 501,955</u>	<u>\$ 95,257</u>	<u>\$406,698</u>	426.95%

Analysis of Financial Position and Results of Operations:

- Cash and cash equivalents increased by \$614,258 from the prior year as a result of operating activities.
- The Agency's 2014 net position increased by \$501,955 from the 2013 net position.
- The Agency did not acquire any new property and equipment during 2014.
- The Agency received \$6,657 of reimbursement for shared expense, including rent and supplies, from the Town of Hempstead Local Development Corporation.
- Generally, operating expenses remained consistent with the prior year. The New York State Retirement System contribution increased as the contribution rates increased for participants. The Agency's advertising costs decreased from the prior year as in the prior year costs were incurred to redesign the Agency's website. In addition, the Agency has been monitoring its advertising costs and decreasing them when able.

Analysis of Balances and Transactions:

- The Agency, an enterprise fund, reported net position of \$3,142,873, which is \$501,955 higher than last year.

Budgetary Analysis:

- Fees for services exceeded the budget by \$562,707. There were fourteen project closings during the year in addition to other fees collected for existing agreements.
- Total expenses exceeded the budget by \$62,097.
- Reimbursed expenses represent payment to the Town of Hempstead Local Development Corporation for past employment costs of an employee of the Agency. This was not budgeted for as it occurred as a result of a resolution passed during the year.

**Town of Hempstead
Industrial Development Agency**

**FINANCIAL STATEMENTS
AND
AUDITOR'S REPORT**

December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Town of Hempstead Industrial Development Agency

We have audited the accompanying financial statements of the Town of Hempstead Industrial Development Agency (the Agency), a component unit of the Town of Hempstead, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2014 and 2013 and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages i through iii and 23 through 24 and the schedule of funding progress on page 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2015 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Sheehan + Company CPA PC

Brightwaters, New York
March 19, 2015

Town of Hempstead Industrial Development Agency

STATEMENTS OF NET POSITION

December 31, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 3,850,100	\$ 3,235,842
Prepaid expenses	-	425
Fees receivable	500	1,000
Other receivable	<u>3,277</u>	<u>-</u>
Total current assets	<u>3,853,877</u>	<u>3,237,267</u>
Property and equipment:		
Furniture and equipment	140,389	140,389
Less accumulated depreciation	<u>87,979</u>	<u>80,134</u>
Property and equipment, net	<u>52,410</u>	<u>60,255</u>
 Total assets	 <u>\$ 3,906,287</u>	 <u>\$ 3,297,522</u>

LIABILITIES AND NET POSITION

Current liabilities:		
Accounts payable and accrued expenses	\$ 121,654	\$ 128,258
Due to affiliate	<u>9,914</u>	<u>-</u>
Total current liabilities	<u>131,568</u>	<u>128,258</u>
Long-term liabilities:		
Compensated absences	305,202	270,376
Post-employment health benefits	<u>326,644</u>	<u>257,970</u>
Total long-term liabilities	<u>631,846</u>	<u>528,346</u>
 Total liabilities	 <u>763,414</u>	 <u>656,604</u>

See notes to financial statements

**Town of Hempstead
Industrial Development Agency**

STATEMENTS OF NET POSITION

December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Net position:		
Invested in capital assets	\$ 52,410	\$ 60,255
Unrestricted	<u>3,090,463</u>	<u>2,580,663</u>
Total net position	<u>3,142,873</u>	<u>2,640,918</u>
 Total liabilities and net position	 <u><u>\$ 3,906,287</u></u>	 <u><u>\$ 3,297,522</u></u>

See notes to financial statements

Town of Hempstead Industrial Development Agency

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Fees for services	\$ 1,551,357	\$ 1,113,753
Total operating income	<u>1,551,357</u>	<u>1,113,753</u>
Operating expenses:		
Salaries	530,398	507,975
Payroll taxes	37,221	35,719
Reimbursed expenses	26,904	-
New York State Retirement System	119,201	118,388
Compensated absences	34,826	29,797
Health insurance	67,866	65,928
Post-employment health benefits	68,674	62,290
Contractual and professional fees	24,250	42,250
Advertising	75,020	81,170
Rent	24,215	21,521
Business development	-	8,250
Office and related expenses	22,655	23,383
Meetings and travel	11,008	11,315
Dues and subscriptions	4,164	2,720
Depreciation and amortization	7,845	12,743
Total operating expenses	<u>1,054,247</u>	<u>1,023,449</u>
Operating income (loss)	<u>497,110</u>	<u>90,304</u>
Non-operating income:		
Interest income	<u>4,845</u>	<u>4,953</u>
Change in net position	501,955	95,257

See notes to financial statements

**Town of Hempstead
Industrial Development Agency**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Net position, January 1	<u>\$ 2,640,918</u>	<u>\$ 2,545,661</u>
Net position, December 31	<u>\$ 3,142,873</u>	<u>\$ 2,640,918</u>

See notes to financial statements

Town of Hempstead Industrial Development Agency

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received:		
From providing services	\$ 1,551,857	\$ 1,113,253
Cash payments:		
Contractual services	(341,785)	(318,561)
Personal services and employee benefits	<u>(600,659)</u>	<u>(579,825)</u>
Net cash provided by operating activities	<u>609,413</u>	<u>214,867</u>
Cash flows from investing activities:		
Interest income	<u>4,845</u>	<u>4,953</u>
Net cash provided by investing activities	<u>4,845</u>	<u>4,953</u>
Net increase in cash and cash equivalents	614,258	219,820
Cash and cash equivalents, January 1	<u>3,235,842</u>	<u>3,016,022</u>
Cash and cash equivalents, December 31	<u><u>\$ 3,850,100</u></u>	<u><u>\$ 3,235,842</u></u>

See notes to financial statements

**Town of Hempstead
Industrial Development Agency**

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 497,110	\$ 90,304
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	7,845	12,743
Change in assets and liabilities:		
(Increase) decrease in assets:		
Prepaid expenses	425	(425)
Fee receivable	500	(500)
Other receivable	(3,277)	-
Increase (decrease) in liabilities:		
Accrued expenses	(6,604)	20,658
Due to affiliate	9,914	-
Compensated absences	34,826	29,797
Post-employment health benefits	68,674	62,290
Total adjustments	112,303	124,563
Net cash provided by operating activities	\$ 609,413	\$ 214,867

See notes to financial statements

Town of Hempstead Industrial Development Agency

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies:

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

Financial reporting entity: The Agency was created in 1971 by the Town Board of the Town of Hempstead, under the provisions of the Laws of New York State. The Agency is authorized and empowered by the provisions of Article 18-A of the General Municipal Law of the State of New York, as amended, and Chapter 529 of the Laws of 1971 of the State of New York to undertake projects and to lease or sell properties. The purpose of the Agency is to provide benefits that reduce costs and financial barriers to the creation and to the expansion of business and to enhance the number of jobs in the Town of Hempstead.

The Agency is governed by a 7 member Board of Directors whose members are appointed by the Town of Hempstead Town Board and is considered a component unit of the Town of Hempstead.

All governmental activities and functions performed by the Agency are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity includes functions and activities over which appointed Agency directors exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designations of management and ability to significantly influence operations and accountability for fiscal matters.

Basis of accounting: The Agency utilizes the accrual basis of accounting and the flow of all economic resources (measurement focus). The basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises and revenues are recorded when earned and expenses are recorded when incurred. Under this basis of accounting and measurement focus, the Agency applies all GASB pronouncements and GAAP, except those that conflict with a GASB pronouncement.

Town of Hempstead Industrial Development Agency

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued):

Basis of accounting (continued):

During the year ended December 31, 2013, the Agency implemented the provisions of GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. The statement establishes guidance for reporting deferred outflows of resources and deferred inflows of resources. This framework will serve to standardize the presentation of deferred balances and their effects on a government's net position and address uncertainty related to their display.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents: For purposes of the Statements of Cash Flows, investments with maturities of three months or less, when purchased, are considered cash equivalents.

Property and equipment: Property and equipment is stated at cost and is being depreciated using the straight-line method over the useful lives of the assets, which are 5 and 15 years.

Equity classifications: Equity is classified as net position and displayed in 3 components:

- a. **Invested in capital assets, net of related debt:** Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. **Restricted net position:** Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. **Unrestricted net position:** All other balances in net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Town of Hempstead Industrial Development Agency

NOTES TO FINANCIAL STATEMENTS

1. **Summary of significant accounting policies (continued):**

Equity classifications (continued):

Advertising costs: Advertising costs are charged to operations when incurred. Advertising costs for the years ended December 31, 2014 and 2013 were \$75,020 and \$81,170, respectively.

Budgetary data: The Agency adopts an annual budget to facilitate budgetary control and operational evaluations.

2. **Conduit debt obligations, Industrial Revenue Bond transactions:**

The Agency issues Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial, recreational and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Agency, the State, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2014 and 2013, outstanding debt induced by the Agency and issued by other entities amount to approximately \$177,748,861 and \$210,231,214, respectively. Debt service is paid directly to the lender by the entity that incurred the supplemental debt. The Agency has no liability or contingent liability for payment.

3. **Payments in lieu of taxes and funds due to municipalities:**

The Town of Hempstead Comptroller's Office collects the payments in lieu of taxes (PILOT) from the borrowing companies. The receipts are deposited into the Town of Hempstead Comptroller's office bank account and subsequently disbursed to the appropriate taxing jurisdictions.

Town of Hempstead Industrial Development Agency

NOTES TO FINANCIAL STATEMENTS

4. Cash and cash equivalents:

The statutes of the State of New York govern the Agency's investment policies. Agency monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. The Treasurer is authorized to use demand accounts and invest in certificates of deposit. Permissible investments include obligations of the U.S. Treasury and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit at 100% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts.

GASB Statement 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

- Uncollateralized
- Collateralized with securities held by the pledging financial institution in the Agency's name; or
- Collateralized with securities held by the pledging financial institution's trust department or agent but not in the Agency's name.

At December 31, 2014, the Agency's bank balances totaled \$3,851,665. This amount is exclusive of petty cash of \$64. Of the bank balances, \$1,029,086 was covered by federal deposit insurance and \$2,822,579 was secured by collateral held by the pledging financial institution's agent, a third-party financial institution, but not in the Agency's name.

5. Lease obligations:

The Agency leases its office space from the Town of Hempstead in the building located at 350 Front Street, Suite 240, Hempstead, New York. Rent expense for the years ended December 31, 2014 and 2013 was \$24,215 and \$21,521, respectively.

The Agency pays rent in accordance with an agreed upon month-to-month lease negotiated with the Department of General Services of the Town of Hempstead, which is in effect for the year ended December 31, 2014.

Town of Hempstead Industrial Development Agency

NOTES TO FINANCIAL STATEMENTS

6. Property and equipment:

Activity for capital assets is summarized as follows:

	<u>Balance</u> <u>December</u> <u>31, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December</u> <u>31, 2014</u>
Equipment	\$ 15,272	\$ -	\$ -	\$ 15,272
Furniture and fixtures	26,703	-	-	26,703
Leasehold improvements	<u>98,414</u>	<u>-</u>	<u>-</u>	<u>98,414</u>
	140,389	-	-	140,389
Less accumulated depreciation	<u>(80,134)</u>	<u>(7,845)</u>	<u>-</u>	<u>(87,979)</u>
Net	<u>\$ 60,255</u>	<u>\$(7,845)</u>	<u>\$ -</u>	<u>\$ 52,410</u>

Depreciation expense for the years ending December 31, 2014 and 2013 was \$7,845 and \$12,743, respectively.

7. Pension plan:

Plan description: The Agency participates in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost sharing, multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

Town of Hempstead Industrial Development Agency

NOTES TO FINANCIAL STATEMENTS

7. **Pension plan (continued):**

Funding policy: The Systems are non-contributory except for employees who joined the New York State and ERS after July 27, 1976 who contribute 3% of their salary for the first 10 years of membership and employees who joined on or after January 1, 2010 (ERS) who generally contribute 3% of their salary for the entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressed used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and 2 preceding years were equal to 100% of the contributions required, and were as follows:

2014	\$119,201
2013	118,388
2012	105,799

Chapter 57 of the Laws of 2013 of the State of New York was enacted that allows local employers to amortize a portion of their retirement bill for up to 12 years in accordance with the following stipulations:

- The maximum amount an employer can amortize is the difference between the normal annual contribution (total bill, excluding payments for deficiency, group life, previous amortizations, incentive costs and prior year adjustments) and the graded contribution.
- For subsequent State fiscal years (SFYs), the graded rate will increase or decrease by up to one-half of 1% depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.
- The interest rate will be set annually, and will be comparable to a 12-year U.S. Treasury Bond plus 1%.
- For subsequent SFYs in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

This law requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years when the local employer opts to participate in the program.

The Agency's pension liability was fully paid as of December 31, 2014.

Town of Hempstead Industrial Development Agency

NOTES TO FINANCIAL STATEMENTS

8. Liability for compensated absences:

The Agency, in conformity with the Town of Hempstead, maintains a policy which permits employees to accumulate a limited amount of earned but unused vacation leave and sick time, which will be used in future years or paid upon separation from the Agency's service. Upon termination, an employee will be paid for a maximum of 800 hours of vacation time.

Sick time will be paid in accordance with a schedule based upon years of completed service, up to 1,600 hours. The cost of accumulated vacation and sick leave, as well as an amount for salary related payments (i.e. Social Security and Medicare taxes) is recorded as a liability and expense when accrued.

The liability for compensated absences as of December 31, 2014 is as follows:

Balance, January 1	\$270,376
Additions (deletions)	<u>34,826</u>
Balance, December 31	<u>\$305,202</u>

Additions and deletions to compensated absences are shown net, since it is impractical to determine these amounts separately.

9. Expenses and fees for bonds and straight leases:

All expenses incurred by the Agency for notices, court recorders, meeting rooms, underwriting, trustees, legal, issuance of bonds and notes and straight leases are for the account of, and reimbursed by, the applicant.

The Agency's minimum fees are as follows:

1. **Application fee:** The Agency charges a non-refundable fee of \$1,500 at the time of receiving a formal application for assistance.
2. **Administrative fee:** The Agency charges one time administrative fees as follows:

Percentage of Value

Tax exempt bonds, taxable bonds and straight lease fee:	
Up to \$30,000,000	0.6%
\$30,000,000 and over	0.1%

Town of Hempstead Industrial Development Agency

NOTES TO FINANCIAL STATEMENTS

9. Expenses and fees for bonds and straight leases (continued):

Administrative fee (continued):

For taxable bonds and straight lease transactions, the minimum fee is based on the amount of bonds, the amount of the total project costs or the amount of the increased value of the assets under a straight lease plus the amount of all anticipated capital improvements and/or equipment to be purchased for which the applicant receives benefits from the Agency.

Twenty-five percent of the fees are collected upon the issuance of the sales tax letter and the balance at closing.

3. **Annual fee:** The Agency charges an annual fee of \$1,000 for the term of bonds or straight lease. This non-refundable annual fee is paid in advance on the first day of each year. The fee covers the cost of annual reporting and monitoring of the transaction. The fee is subject to periodic review and can be adjusted at the discretion of the Agency. The Agency also charges an initial compliance fee of \$2,500, which is paid at closing.
4. **Agency Counsel's fee:** The fee for Agency Counsel is approximately 0.1% of the amount of the bonds, the amount of the total project costs or the amount of the increased value of the assets under a straight lease plus the amount of all anticipated capital improvements and/or equipment to be purchased for which the applicant will receive benefits from the Agency. The applicant pays the Agency Counsel's fee.
5. **Bond Counsel fee:** The applicant pays the Bond Counsel fee.
6. **Miscellaneous fees:**

Minimum Amount

Extension of inducement	\$250
Amendments, waivers, subordinate and collateral mortgage assignments, consents, leases and sub-leases, etc.	500
Termination fee	500

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

9. Expenses and fees for bonds and straight leases (continued):

6. Miscellaneous fees (continued):

Percentage of value

Refinance bonds	0.600%
Assumption of outstanding bonds	0.125%

Fees for bond refinancing and assumption are subject to adjustment at the discretion of the Agency, based on the complexity of the transaction involved.

10. Post-employment health insurance benefit plan:

Plan description: During 2008, the Agency established a post-employment health insurance benefit plan for retired employees of the Agency. The plan is a single-employer defined benefit health insurance plan administered by the Agency. The plan provides health insurance coverage to all eligible retirees and their eligible dependents. For a retiree to be eligible, he/she should have a minimum of 10 years of service with any public employer in the State of New York and have a minimum of 5 full years of service in the Agency. There are currently 3 active participants in the plan. All financial activities of the plan are included in the financial statements of the Agency. The plan does not issue a separate financial report.

Funding policy: The plan is non-contributory for employees and retirees. The funding requirements of the plan will be met by contributions from the Agency. For 2014, the Agency's annual other post-employment benefit cost was \$68,674. At December 31, 2014, the plan is unfunded.

Annual OPEB cost and net OPEB obligation: The Agency's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following shows the components of the Agency's annual OPEB cost for 2014, the amount actually contributed to the plan and changes in the Agency's net OPEB obligation to the plan:

Town of Hempstead Industrial Development Agency

NOTES TO FINANCIAL STATEMENTS

10. Post-employment Health Insurance Benefit Plan (continued):

Annual OPEB cost and net OPEB obligation (continued):

Annual required contribution	\$ 72,700
Interest on net OPEB obligation	10,319
Adjustment to annual required contribution	<u>(14,345)</u>
Annual OPEB cost (expense)	68,674
Contributions made	<u>-</u>
Increase in net OPEB obligation	68,674
Net OPEB obligation - beginning of year	<u>257,970</u>
Net OPEB obligation - end of year	<u>\$326,644</u>

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the years ending December 31, 2008 - December 31, 2014 was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/08	\$23,700	0%	\$ 23,700
12/31/09	\$23,700	0%	\$ 47,400
12/31/10	\$23,700	0%	\$ 71,100
12/31/11	\$62,290	0%	\$133,390
12/31/12	\$62,290	0%	\$195,680
12/31/13	\$62,290	0%	\$257,970
12/31/14	\$68,674	0%	\$326,644

Funded status and funding progress: As of January 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$528,900 and the actuarial value of assets earmarked for benefits was \$-0- resulting in an underfunding in the amount of \$528,900.

Town of Hempstead Industrial Development Agency

NOTES TO FINANCIAL STATEMENTS

10. Post-employment Health Insurance Benefit Plan (continued):

Funded status and funding progress (continued):

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions: Projections of benefits for financial reporting purposes are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and plan members) at the time of each valuation and on the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial methods:

Actuarial cost method: Projected Unit Credit Cost Method

Method used to determine the actuarial value of assets: Market Value

Assumptions:

Discount rate: 4.0%

Investment return: not applicable

Projected salary increases: not applicable

Town of Hempstead Industrial Development Agency

NOTES TO FINANCIAL STATEMENTS

10. Post-employment Health Insurance Benefit Plan (continued):

Assumptions (continued):

Healthcare cost trend rate:

<u>Valuation Year Ending 12/31</u>	<u>NYSHIP Inflation Rate</u>	<u>NYSHIP Medicare Trend</u>	<u>Medicare Part B Trend</u>
2014-2015	5.10%	0.50%	0.00%
2015-2016	5.60%	5.70%	5.00%
2016-2017	5.90%	6.10%	5.00%
2017-2018	5.40%	5.40%	5.00%
2018-2019	5.50%	5.50%	5.00%
2019-2020	5.60%	5.50%	5.00%
2020-2022	5.80%	5.40%	5.00%
2022-2025	5.70%	5.40%	5.00%
2025-2026	6.30%	5.40%	5.00%
2026-2029	6.40%	5.40%	5.00%
2029-2033	6.30%	5.40%	5.00%
2033-2036	6.30%	5.50%	5.00%
2036-2037	6.10%	5.40%	5.00%
2037-2038	6.00%	5.30%	5.00%
2038-2039	5.90%	5.30%	5.00%
2039-2040	5.90%	5.50%	5.00%
2040-2042	5.80%	5.50%	5.00%
2042-2044	5.70%	6.20%	5.00%
2044-2045	5.70%	6.10%	5.00%
2045-2048	5.60%	6.00%	5.00%
2048-2051	5.50%	5.90%	5.00%
2051-2053	5.50%	5.80%	5.00%
2053-2054	5.40%	5.80%	5.00%
2054-2058	5.40%	5.70%	5.00%
2058-2060	5.40%	5.60%	5.00%
2060-2062	5.30%	5.60%	5.00%
2062-2063	5.20%	5.50%	4.90%
2063-2064	5.10%	5.30%	4.90%
2064-2065	5.00%	5.20%	4.80%

Town of Hempstead Industrial Development Agency

NOTES TO FINANCIAL STATEMENTS

10. Post-employment Health Insurance Benefit Plan (continued):

Assumptions (continued):

Healthcare cost trend rate (continued):

<u>Valuation Year Ending 12/31</u>	<u>NYSHIP Inflation Rate</u>	<u>NYSHIP Medicare Trend</u>	<u>Medicare Part B Trend</u>
2065-2066	5.00%	5.10%	4.70%
2066-2067	4.90%	5.10%	4.70%
2067-2068	4.80%	5.00%	4.60%
2068-2069	4.70%	4.90%	4.50%
2069-2070	4.60%	4.80%	4.50%
2070-2071	4.60%	4.70%	4.40%
2071-2086	4.50%	4.60%	4.30%
2086-2090	4.50%	4.50%	4.30%
2090 and onward	4.40%	4.50%	4.30%

Retirement rates:
(including post age 55 disability)

<u>Age</u>	<u>Age at least 55 and service less than 20 years of service</u>	<u>Age at least 55 or service greater than 20 years of service</u>
55	5%	30%
56-58	5%	20%
59-60	6%	20%
61	10%	30%
62	15%	40%
63	15%	25%
64	15%	25%
65	20%	30%
66	15%	30%
67-69	15%	25%
70	100%	100%

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

10. Post-employment Health Insurance Benefit Plan (continued):

Assumptions (continued):

Mortality: RP 2000 Combined, sex distinct, with full generational projection using Scale AA

Benefit plan participation percentage:

<u>Age</u>	<u>Participation</u>
Under 49	100%
50 - 54	100%
55+	100%

Amortization method: A 30 year amortization period is being used. The remaining amortization period at December 31, 2014 is 23 years.

11. Related party transactions:

The Agency shares its office space with the Town of Hempstead Local Development Corporation (the Corporation), a related party. The Agency and the Corporation have the same executive and deputy executive directors.

The Agency and the Corporation have an agreement in which the Corporation reimburses the Agency for shared costs, including office space, supplies and telephone. These expenses have been reflected in the appropriate expense categories. Amounts paid to the Agency for the years ended December 31, 2014 and 2013 were \$6,657 and \$7,196, respectively. At December 31, 2014, the Agency has a receivable of \$3,277 for amounts owed from the Corporation.

During the year ended December 31, 2014, the Agency passed a resolution to reimburse the Corporation for prior years' salary and related payroll taxes when the Corporation had an employee. This amount was determined to be \$26,904, \$9,914 of which is shown on the Agency's financial statements as a payable.

Town of Hempstead Industrial Development Agency

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2014

	<u>Budgetary Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fees for services	\$ 988,650	\$ 988,650	\$ 1,551,357	\$ 562,707
Interest income	3,500	3,500	4,845	1,345
Total revenues	<u>992,150</u>	<u>992,150</u>	<u>1,556,202</u>	<u>564,052</u>
Expenses:				
Salaries	555,000	555,000	530,398	24,602
Payroll tax	37,287	37,287	37,221	66
Reimbursed expenses	-	-	26,904	(26,904)
New York State Retirement System	119,201	119,201	119,201	-
Compensated absences	30,000	30,000	34,826	(4,826)
Health insurance	71,800	71,800	67,866	3,934
Post-employment health benefits	-	-	68,674	(68,674)
Contractual and professional fees	25,000	25,000	24,250	750
Advertising	75,020	75,020	75,020	-
Rent	26,500	26,500	24,215	2,285
Office and related expenses	23,578	23,578	22,655	923
Meetings and travel	12,600	12,600	11,008	1,592
Dues and subscriptions	4,164	4,164	4,164	-
Depreciation and amortization	12,000	12,000	7,845	4,155
Total expenses	<u>992,150</u>	<u>992,150</u>	<u>1,054,247</u>	<u>(62,097)</u>
Excess (deficiency) of revenues				
over (under) expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 501,955</u>	<u>\$ 501,955</u>

Town of Hempstead Industrial Development Agency

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2013

	<u>Budgetary Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fees for services	\$ 988,200	\$ 988,200	\$ 1,113,753	\$ 125,553
Interest income	3,500	3,500	4,953	1,453
Total revenues	<u>991,700</u>	<u>991,700</u>	<u>1,118,706</u>	<u>127,006</u>
Expenses:				
Salaries	515,025	515,025	507,975	7,050
Payroll tax	38,387	38,387	35,719	2,668
New York State Retirement System	118,388	118,388	118,388	-
Compensated absences	30,000	30,000	29,797	203
Health insurance	70,200	70,200	65,928	4,272
Post-employment health benefits	-	-	62,290	(62,290)
Contractual and professional fees	43,750	43,750	42,250	1,500
Advertising	85,000	85,000	81,170	3,830
Rent	30,200	30,200	21,521	8,679
Business development	8,250	8,250	8,250	-
Office and related expenses	23,200	23,200	23,383	(183)
Meetings and travel	12,300	12,300	11,315	985
Dues and subscriptions	3,000	3,000	2,720	280
Depreciation and amortization	14,000	14,000	12,743	1,257
Total expenses	<u>991,700</u>	<u>991,700</u>	<u>1,023,449</u>	<u>(31,749)</u>
Excess (deficiency) of revenues				
over (under) expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,257</u>	<u>\$ 95,257</u>

**Town of Hempstead
Industrial Development Agency**

**POST-EMPLOYMENT HEALTH INSURANCE BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAL)	Funded Ratio	Covered Payroll	UAL as a Percentage of Covered Payroll
1/1/2008	\$ -	\$ 255,700	\$ 255,700	0.0%	N/A	N/A
1/1/2011	-	401,500	401,500	0.0%	N/A	N/A
1/1/2014	-	528,900	528,900	0.0%	N/A	N/A



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Town of Hempstead Industrial Development Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Town of Hempstead Industrial Development Agency (the Agency) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated March 19, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
Town of Hempstead Industrial Development Agency

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Sheehan & Company CPA PC
Brightwaters, New York
March 19, 2015