

**Town of Hempstead  
Industrial Development Agency**

**FINANCIAL REPORT**

**December 31, 2016 and 2015**

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**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

# **Town of Hempstead Industrial Development Agency**

## **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 years ended December 31, 2016 and December 31, 2015. Please read this in conjunction with the basic financial statements and the accompanying notes to those financial statements.

### **Financial Highlights - 2016:**

- The assets and deferred outflows of the Agency exceeded its liabilities and deferred inflows at December 31, 2016 by \$2,459,678.
- The Agency's total assets decreased by \$613,637 in the year 2016. Total deferred outflows of resources increased by \$203,937. The Agency's total liabilities increased by \$275,180 in the year 2016. Total deferred inflows of resources increased by \$25,958.
- As of the close of the current year, the Agency reported net position of \$2,459,678, a decrease of \$710,838 from the year 2015.
- During the year ended December 31, 2016 the Agency implemented Governmental Accounting Standards Board (GASB) Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

### **Financial Highlights - 2015:**

- The assets and deferred outflows of the Agency exceeded its liabilities at December 31, 2015 by \$3,170,516.
- During the year ended December 31, 2015, the Agency implemented GASB 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement 27* and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement 68*. As a result, beginning net position increased by \$57,932. Additionally, the Agency recorded its proportionate share of net pension liabilities, as well as deferred outflows of resources related to pensions.
- The Agency's total assets decreased by \$2,582 in the year 2015. Total deferred outflows of resources increased by \$51,711. The Agency's total liabilities increased by \$21,486 in the year 2015.
- At December 31, 2015, the Agency reported net position of \$3,170,516.

### **Basic Financial Statements:**

- The financial statements presented herein include all of the activities of the Agency.

# Town of Hempstead Industrial Development Agency

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Basic Financial Statements (continued):

- The financial statements present the financial picture of the Agency. The Agency applies full accrual accounting methods as used by similar business activities in the private sector. These statements include all assets and deferred outflows of the Agency as well as liabilities and deferred inflows, offering both short-term and long-term financial information.
- 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, deferred outflows, liabilities and deferred inflows of the Agency using the accrual basis of accounting. All of the current year's revenues and expenses are then taken into account regardless of when cash is received or paid.

The following statements report the Agency's net position and changes in net position. The net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources, 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 - 2016:

#### Condensed Statements of Net Position at December 31,

	<u>2016</u>	<u>2015</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current assets	\$3,240,822	\$3,846,419	\$(605,597)	(15.74)
Property and equipment	<u>49,246</u>	<u>57,286</u>	<u>(8,040)</u>	(14.03)
Total assets	<u>3,290,068</u>	<u>3,903,705</u>	<u>(613,637)</u>	(15.72)
 Deferred outflows of resources	 <u>255,648</u>	 <u>51,711</u>	 <u>203,937</u>	 394.38
 Current liabilities	 14,479	 10,883	 3,596	 33.04
Long-term liabilities	<u>1,045,601</u>	<u>774,017</u>	<u>271,584</u>	35.09
Total liabilities	<u>1,060,080</u>	<u>784,900</u>	<u>275,180</u>	35.06

# Town of Hempstead Industrial Development Agency

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Condensed Comparative Financial Statements - 2016 (continued):

#### Condensed Statements of Net Position at December 31,

	<u>2016</u>	<u>2015</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Deferred inflows of resources	\$ 25,958	\$ -	\$ 25,958	100.00
Net position:				
Net investment in capital assets	49,246	57,286	(8,040)	(14.03)
Unrestricted	<u>2,410,432</u>	<u>3,113,230</u>	<u>(702,798)</u>	<u>(22.57)</u>
Total net position	<u>\$2,459,678</u>	<u>\$3,170,516</u>	<u>\$(710,838)</u>	<u>22.42</u>

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

	<u>2016</u>	<u>2015</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Total operating revenue	\$ 491,922	\$941,505	\$(449,583)	(47.75)
Total operating expenses	<u>1,208,424</u>	<u>977,634</u>	<u>230,790</u>	23.61
Operating income (loss)	(716,502)	(36,129)	(680,373)	(1,883.18)
Non-operating income	<u>5,664</u>	<u>5,840</u>	<u>(176)</u>	(3.01)
Change in net position	<u>\$ (710,838)</u>	<u>\$ (30,289)</u>	<u>\$(680,549)</u>	<u>(2,246.85)</u>

### Analysis of Net Position and Results of Operations - 2016:

- Cash and cash equivalents decreased by \$599,129 from the prior year as a result of operating activities.
- The Agency's 2016 net position decreased by \$710,838 from 2015.
- The Agency did not acquire any new property and equipment during 2016.
- The Agency received \$5,952 of reimbursement for shared expenses, including rent and supplies, from the Town of Hempstead Local Development Corporation.
- In 2016, pension expense increased by \$43,341 and accounts payable and accrued expenses increased by \$3,596.
- The Agency reported net position of \$2,459,678 which is \$710,838 lower than in 2015.

# Town of Hempstead Industrial Development Agency

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Analysis of Balances and Transactions - 2016:

- During 2016, the Agency entered into an agreement with the Town of Hempstead for PILOT billing and collection services for an annual cost of \$125,000. Also, during 2016, the Agency incurred various costs to defend itself against proceedings brought by residents of the Town of Hempstead challenging the granting of benefits by the Agency to a downtown Hempstead revitalization project. Other operating expenses generally remained consistent with the prior year.

### Budgetary Analysis - 2016:

- Fees for services had a deficiency compared to the budget of \$452,631. There were six project closings during the year in addition to other fees collected for existing agreements compared to nine in prior year.
- Intergovernmental compliance expense was over budget by \$125,000 as a result of the Agency entering into an agreement in 2016 with the Town of Hempstead for PILOT billing and collection services. Total expenses exceeded the budget by \$256,267.

### Condensed Comparative Financial Statements - 2015:

#### Condensed Statements of Net Position at December 31,

	<u>2015</u>	<u>2014</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current assets	\$3,846,419	\$3,853,877	\$ (7,458)	(0.19)
Property and equipment	<u>57,286</u>	<u>52,410</u>	<u>4,876</u>	9.30
Total assets	<u>3,903,705</u>	<u>3,906,287</u>	<u>(2,582)</u>	(0.07)
 Deferred outflows of resources	 <u>51,711</u>	 <u>-</u>	 <u>51,711</u>	 100.00
Current liabilities	10,883	131,568	(120,685)	(91.73)
Long-term liabilities	<u>774,017</u>	<u>631,846</u>	<u>142,171</u>	22.50
Total liabilities	<u>784,900</u>	<u>763,414</u>	<u>21,486</u>	2.81
 Net position:				
Net investment in capital assets	57,286	52,410	4,876	9.30
Unrestricted	<u>3,113,230</u>	<u>3,090,463</u>	<u>22,767</u>	7.37
Total net position	<u>\$3,170,516</u>	<u>\$3,142,873</u>	<u>\$ 27,643</u>	0.88

# Town of Hempstead Industrial Development Agency

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Condensed Comparative Financial Statements - 2015 (continued):

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

	<u>2015</u>	<u>2014</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Total operating revenue	\$941,505	\$1,551,357	\$(609,852)	(39.31)
Total operating expenses	<u>977,634</u>	<u>1,054,247</u>	<u>(76,613)</u>	(7.27)
Operating income	(36,129)	497,110	(533,239)	(107.27)
Non-operating income	<u>5,840</u>	<u>4,845</u>	<u>995</u>	20.54
Change in net position	<u>\$ (30,289)</u>	<u>\$ 501,955</u>	<u>\$(532,244)</u>	(106.03)

### Analysis of Net Position and Results of Operations - 2015:

- Cash and cash equivalents decreased by \$13,506 from 2014, primarily as a result of operating activities.
- The Agency's 2015 net position decreased by \$30,289 from the 2014 restated net position. Opening net position was restated in 2015 as a result of the adoption of GASB Statement 68.
- The Agency acquired property and equipment in the amount of \$12,109 during 2015.
- In 2015, the Agency recorded deferred outflows of resources of \$51,711 resulting from the implementation of GASB Statement 68 and the recording of the Agency's proportionate share of the net pension liability.
- The Agency received \$6,750 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 effects of the implementation of GASB Statement 68 are not reflected in the 2014 expenses or 2014 Statement of Net Position as this information was not available. In 2015, pension expense decreased by \$67,175 and accounts payable and accrued expenses decreased by \$110,771, largely a result of the implementation of GASB Statement 68.

# **Town of Hempstead Industrial Development Agency**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Budgetary Analysis - 2015:**

- Fees for services had a deficiency compared to the budget of \$10,839. There were nine project closings during the year in addition to other fees collected for existing agreements compared to fourteen in 2014.
- Pension expense was under budget by \$67,224, as a result of the implementation of GASB Statement 68 during 2015.
- Total expenses exceeded the budget by \$21,790.

### **Economic Factors and Next Year's Budget:**

During 2016, the residents of the Town of Hempstead brought an Article 78 proceeding challenging the granting of benefits by the Agency to a downtown Hempstead revitalization project. On January 25, 2017, the Nassau County Supreme Court dismissed the petition in its entirety. On February 25, 2017, petitioners served a notice of appeal. The Agency is vigorously defending the claims asserted.

The Agency has budgeted revenues of \$978,200 and expenses of \$1,033,400 in the 2017 budget, an increase of \$30,147 in revenue and an increase of \$81,243 in expenses from the final adopted 2016 budget.



**Town of Hempstead  
Industrial Development Agency**

**FINANCIAL STATEMENTS  
AND  
AUDITOR'S REPORT**

**December 31, 2016 and 2015**

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437 Madison Avenue, 29th Floor  
New York, NY 10022 • 212.962.4470

165 Orinoco Drive, Brightwaters, NY 11718  
631.665.7040 • Fax: 631.665.7014

15 South Bayles Avenue, Port Washington, NY 11050  
516.883.5510 • Fax: 516.767.7438

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Town of Hempstead Industrial Development Agency

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Town of Hempstead Industrial Development Agency (the Agency), as of and for the years ended December 31, 2016 and 2015, 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 an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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 opinion.

To the Board of Directors  
Town of Hempstead Industrial Development Agency  
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## **Opinion**

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, 2016 and 2015 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, Budgetary Comparison Schedules, Post-Employment Health Insurance Benefit Plan Schedule of Funding Progress, Schedule of the Agency's Proportionate Share of the Net Pension Liability and Schedule of the Agency's Contributions on pages i through vi and 31 through 35 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 20, 2017 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Sheehan & Company CPA, P.C.

Brightwaters, New York  
March 20, 2017

**Town of Hempstead  
Industrial Development Agency**

**STATEMENTS OF NET POSITION**

December 31, 2016 and 2015

**ASSETS**

	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 3,237,465	\$ 3,836,594
Fees receivable	750	1,000
Other receivable	<u>2,607</u>	<u>8,825</u>
Total current assets	<u>3,240,822</u>	<u>3,846,419</u>
<b>Property and equipment:</b>		
Furniture and equipment	146,148	146,148
Less accumulated depreciation	<u>96,902</u>	<u>88,862</u>
Property and equipment, net	<u>49,246</u>	<u>57,286</u>
 Total assets	 <u>3,290,068</u>	 <u>3,903,705</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Changes in proportion and differences between Agency contributions and proportionate share of contributions	76,700	42,289
Net difference between projected and actual investment earnings on pension plan investments	122,734	7,956
Differences between expected and actual experience	1,045	1,466
Changes of assumptions	<u>55,169</u>	<u>-</u>
 Total deferred outflows of resources	 <u>255,648</u>	 <u>51,711</u>
 Total assets and deferred outflows of resources	 <u>3,545,716</u>	 <u>3,955,416</u>

See notes to financial statements

**Town of Hempstead  
Industrial Development Agency**

**STATEMENTS OF NET POSITION**

December 31, 2016 and 2015

**LIABILITIES**

	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 14,479	\$ 10,883
Total current liabilities	<u>14,479</u>	<u>10,883</u>
<b>Long-term liabilities:</b>		
Compensated absences	374,727	332,894
Post-employment health benefits	463,992	395,318
Net pension liability - proportionate share	<u>206,882</u>	<u>45,805</u>
Total long-term liabilities	<u>1,045,601</u>	<u>774,017</u>
Total liabilities	<u>1,060,080</u>	<u>784,900</u>

**DEFERRED INFLOWS OF RESOURCES**

Differences between expected and actual experience	24,522	-
Changes in proportion and differences between Agency contributions and proportionate share of contributions	<u>1,436</u>	<u>-</u>
Total deferred inflows of resources	<u>25,958</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>1,086,038</u>	<u>784,900</u>

**NET POSITION**

Net investment in capital assets	49,246	57,286
Unrestricted	<u>2,410,432</u>	<u>3,113,230</u>
Total net position	<u>\$ 2,459,678</u>	<u>\$ 3,170,516</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, 2016 and 2015**

	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>Operating revenues:</b>		
Fees for services	\$ 491,922	\$ 941,505
Total operating revenues	<u>491,922</u>	<u>941,505</u>
<b>Operating expenses:</b>		
Salaries	559,397	542,866
Payroll taxes	38,001	38,951
Pension expense	95,367	52,026
Compensated absences	41,833	27,692
Health insurance	62,033	71,167
Post-employment health benefits	68,674	68,674
Contractual and professional fees	56,000	30,675
Advertising	91,212	75,320
Rent	23,500	24,164
Office and related expenses	26,813	24,361
Meetings and travel	8,191	11,213
Dues and subscriptions	4,363	3,292
Depreciation	8,040	7,233
Intergovernmental compliance	<u>125,000</u>	<u>-</u>
Total operating expenses	<u>1,208,424</u>	<u>977,634</u>
Operating loss	<u>(716,502)</u>	<u>(36,129)</u>
<b>Non-operating income:</b>		
Interest income	<u>5,664</u>	<u>5,840</u>
Change in net position	(710,838)	(30,289)
Net position, January 1	<u>3,170,516</u>	<u>3,200,805</u>
Net position, December 31	<u>\$2,459,678</u>	<u>\$ 3,170,516</u>

See notes to financial statements

**Town of Hempstead  
Industrial Development Agency**

**STATEMENTS OF CASH FLOWS**

**For the Years Ended December 31, 2016 and 2015**

	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>Cash flows from operating activities:</b>		
<b>Cash received:</b>		
From providing services	\$ 492,172	\$ 941,005
<b>Cash payments:</b>		
Contractual services	(479,367)	(322,950)
Personal services and employee benefits	<u>(617,598)</u>	<u>(625,292)</u>
Net cash used by operating activities	<u>(604,793)</u>	<u>(7,237)</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchase of equipment	<u>-</u>	<u>(12,109)</u>
Net cash used by capital and related financing activities	<u>-</u>	<u>(12,109)</u>
<b>Cash flows from investing activities:</b>		
Interest income	<u>5,664</u>	<u>5,840</u>
Net cash provided by investing activities	<u>5,664</u>	<u>5,840</u>
Net decrease in cash and cash equivalents	(599,129)	(13,506)
Cash and cash equivalents, January 1	<u>3,836,594</u>	<u>3,850,100</u>
Cash and cash equivalents, December 31	<u>\$ 3,237,465</u>	<u>\$ 3,836,594</u>

See notes to financial statements



**Town of Hempstead  
Industrial Development Agency**

**STATEMENTS OF CASH FLOWS**

**For the Years Ended December 31, 2016 and 2015**

	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>		
Operating loss	\$ (716,502)	\$ (36,129)
<b>Adjustments to reconcile operating loss to net cash used by operating activities:</b>		
Depreciation	8,040	7,233
Change in assets, deferred outflows of resources and liabilities:		
(Increase) decrease in assets:		
Fees receivable	250	(500)
Other receivable	6,218	(5,548)
(Increase) in deferred outflows of resources	(203,937)	(51,711)
Increase (decrease) in liabilities:		
Accrued expenses	3,596	(110,771)
Due to affiliate	-	(9,914)
Compensated absences	41,833	27,692
Post-employment health benefits	68,674	68,674
Net pension liability - proportionate share	161,077	103,737
Increase in deferred inflows of resources	<u>25,958</u>	<u>-</u>
 Total adjustments	 <u>111,709</u>	 <u>28,892</u>
 Net cash used by operating activities	 <u>\$ (604,793)</u>	 <u>\$ (7,237)</u>

See notes to financial statements

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# 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 seven member Board of Directors whose members are appointed by the Town of Hempstead Town Board and is considered a New York State public benefit corporation.

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):

**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.

**Deferred outflows/inflows of resources:** GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, defined and classified deferred outflows of resources and deferred inflows of resources. A deferred outflow of resource is a consumption of net assets that applies to future period(s) and as such, will not be recognized as an outflow of resources (expense) until that time. A deferred inflow of resources is an acquisition of net assets that applies to future periods and, as such, will not be recognized as an inflow of resources (revenue) until that time.

**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. **Net investment in capital assets:** 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. As of December 31, 2016 and 2015, the Agency has no balance in this classification.
- c. **Unrestricted net position:** All other balances in net position that do not meet the definition of "restricted" or "net investment in capital assets".

# Town of Hempstead Industrial Development Agency

## NOTES TO FINANCIAL STATEMENTS

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

**Advertising costs:** Advertising costs are charged to operations when incurred. Advertising costs for the years ended December 31, 2016 and 2015 were \$91,212 and \$75,320, respectively.

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

- **Newly adopted accounting standards:** The Agency has adopted all current standards of the GASB that are applicable. During the year ended December 31, 2016 the Agency implemented Governmental Accounting Standards Board (GASB) Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. In 2015, the Agency adopted the provisions of GASB Statement 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement 27*, resulting in a change of accounting principle requiring restatement to net position at the beginning of 2015. Restated net position at January 1, 2015 is \$3,200,805 as reflected in the accompanying Statements of Net Position.

**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, 2016 and 2015, outstanding debt induced by the Agency and issued by other entities amount to approximately \$133,071,498 and \$135,875,821, 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

# **Town of Hempstead Industrial Development Agency**

## **NOTES TO FINANCIAL STATEMENTS**

### **3. Payments in lieu of taxes and funds due to municipalities (continued):**

Hempstead Comptroller's office bank account and subsequently disbursed to the appropriate taxing jurisdictions.

During 2016, the Agency entered into an agreement with the Town of Hempstead for PILOT billing and collection services. The cost of such services are reflected as intergovernmental compliance on the accompanying 2016 Statement of Revenues, Expenses, and Changes in Net Position.

### **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 banks and trust companies authorized for the deposit of monies by the Town of Hempstead. The Agency's Board of Director responsibility for administration of the investment program is delegated to the Executive Director pursuant to resolution. The Executive Director is authorized to invest monies not required for immediate expenditure. Permissible investments include special time deposit accounts, certificates of deposit, obligations of the United States of America, obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America and obligations of New York State. Collateral is required for deposits, including certificates of deposit and special time deposits, equal to 105% of the aggregate amount of uninsured deposits if by a pledge of eligible securities or 140% of the aggregate amount of uninsured deposits if by an eligible irrevocable letter of credit. Eligible securities used for collateralizing deposits are to be held by the bank or trust company pursuant to security and custodial agreements.

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, 2016, the Agency's bank balances totaled \$3,250,668. This amount is exclusive of petty cash of \$64. Of the bank balances, \$795,070 was covered by federal deposit insurance and \$2,455,598 was secured by collateral held by the pledging financial institution's agent, a third-party financial institution, but not in the Agency's name.

**Town of Hempstead  
Industrial Development Agency**

**NOTES TO FINANCIAL STATEMENTS**

**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, 2016 and 2015 was \$23,500 and \$24,164, respectively. The Agency pays rent on a month-to-month basis.

**6. Property and equipment:**

Activity for furniture and equipment for the year ended December 31, 2016 is summarized as follows:

	<b><u>Balance December 31, 2015</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Balance December 31, 2016</u></b>
Equipment	\$ 21,031	\$ -	\$ -	\$ 21,031
Furniture and fixtures	26,703	-	-	26,703
Leasehold improvements	<u>98,414</u>	<u>-</u>	<u>-</u>	<u>98,414</u>
	146,148	-	-	146,148
Less accumulated depreciation	<u>(88,862)</u>	<u>(8,040)</u>	<u>-</u>	<u>(96,902)</u>
Net	<u>\$ 57,286</u>	<u>\$ (8,040)</u>	<u>\$ -</u>	<u>\$ 49,246</u>

Activity for furniture and equipment for the year ended December 31, 2015 is summarized as follows:

	<b><u>Balance December 31, 2014</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Balance December 31, 2015</u></b>
Equipment	\$ 15,272	\$12,109	\$(6,350)	\$ 21,031
Furniture and fixtures	26,703	-	-	26,703
Leasehold improvements	<u>98,414</u>	<u>-</u>	<u>-</u>	<u>98,414</u>
	140,389	12,109	(6,350)	146,148
Less accumulated depreciation	<u>(87,979)</u>	<u>(7,233)</u>	<u>6,350</u>	<u>(88,862)</u>
Net	<u>\$ 52,410</u>	<u>\$ (4,876)</u>	<u>\$ -</u>	<u>\$ 57,286</u>

**Town of Hempstead  
Industrial Development Agency**

**NOTES TO FINANCIAL STATEMENTS**

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**6. Property and equipment (continued):**

Depreciation expense for the years ending December 31, 2016 and 2015 was \$8,040 and \$7,233, respectively.

**7. Pension plan:**

**Plan description:** The Agency participates in the New York State and Local Employees' Retirement System (ERS) which is part of the New York State and Local Retirement System (the System). This is a cost-sharing, multiple-employer defined benefit retirement system. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (NYSRSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Agency also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

**Benefits provided:** The System provides retirement benefits as well as death and disability benefits.

**Tiers 1 and 2**

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

**Benefit calculation:** Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2% of final average salary for each year of service.

**Town of Hempstead  
Industrial Development Agency**

**NOTES TO FINANCIAL STATEMENTS**

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

**Tiers 1 and 2 (continued):**

**Benefit calculation (continued):**

Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the NYSRSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

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

**Tiers 3, 4 and 5**

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

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

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



**Town of Hempstead  
Industrial Development Agency**

**NOTES TO FINANCIAL STATEMENTS**

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

**Tier 6**

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

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

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

**Ordinary Disability Benefits**

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

**Accidental Disability Benefits**

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

**Ordinary Death Benefits**

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

**Town of Hempstead  
Industrial Development Agency**

**NOTES TO FINANCIAL STATEMENTS**

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

**Post-Retirement Benefit Increases**

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

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

2016	\$ 112,269
2015	119,201
2014	118,388

The Agency's 2017 invoice to the System for \$95,697 is due February 1, 2017 and was paid subsequent to year end. In accordance with the provisions of GASB Statement 68, those contributions are not recognized as pension expense in the accompanying financial statements and will be reflected as a reduction of the Agency's proportionate share of the net pension liability in 2017.

# **Town of Hempstead Industrial Development Agency**

## **NOTES TO FINANCIAL STATEMENTS**

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

**Contributions (continued):**

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.

**Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions:** At December 31, 2016 and 2015, the Agency reported a liability of \$206,882 and \$45,805, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2016 and March 31, 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At March 31, 2016 and 2015, the Agency's proportion was .0012890% and .0013559%, respectively.

**Town of Hempstead  
Industrial Development Agency**

**NOTES TO FINANCIAL STATEMENTS**

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

**Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (continued):**

For the year ended December 31, 2016, the Agency recognized pension expense of \$95,367. At December 31, 2016, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 1,045	\$24,522
Changes of assumptions	55,169	-
Net difference between projected and actual earnings on pension plan investments	122,734	-
Changes in proportion and differences between Agency contributions and proportionate share of contributions	<u>76,700</u>	<u>1,436</u>
Total	<u>\$255,648</u>	<u>\$25,958</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b><u>Year Ended March 31:</u></b>	<b><u>Amount</u></b>
2017	\$ 60,625
2018	60,625
2019	60,625
2020	47,814

**Town of Hempstead  
Industrial Development Agency**

**NOTES TO FINANCIAL STATEMENTS**

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

**Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (continued):**

For the year ended December 31, 2015, the Agency recognized pension expense of \$52,026. At December 31, 2015, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 1,466	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	7,956	-
Changes in proportion and differences between Agency contributions and proportionate share of contributions	<u>42,289</u>	<u>-</u>
Total	<u>\$51,711</u>	<u>\$ -</u>

**Actuarial assumptions:** The total pension liability at March 31, 2016 was determined by using an actuarial valuation as of April 1, 2015, and the total pension liability at March 31, 2015 was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2016 and 2015, respectively. The actuarial valuation used the following actuarial assumptions:

	<b><u>2016</u></b>	<b><u>2015</u></b>
Inflation	2.5%	2.7%
Salary increases	3.8%	4.9%
Investment rate of return (net of investment expense, including inflation)	7.0%	7.5%

Annuitant mortality rates for 2016 are based on April 1, 2010 - March 31, 2015. System experience and rates for 2015 are based on April 1, 2005 - March 31, 2010. System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

**Town of Hempstead  
Industrial Development Agency**

**NOTES TO FINANCIAL STATEMENTS**

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

**Actuarial assumptions (continued):**

The actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 through March 31, 2015. The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 - March 31, 2010.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016 and 2015 are summarized below:

<b><u>Asset Class</u></b>	<b><u>Long-Term Expected Real Rate of Return</u></b>
Domestic equity	7.30%
International equity	8.55%
Private equity	11.00%
Real estate	8.25%
Absolute return strategies	6.75%
Opportunistic portfolio	8.60%
Real assets	8.65%
Bonds and mortgages	4.00%
Cash	2.25%
Inflation-indexed bonds	4.00%

**Discount rate:** The discount rate used to calculate the total pension liability in 2016 and 2015 was 7.0% and 7.5%, respectively. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Town of Hempstead  
Industrial Development Agency**

**NOTES TO FINANCIAL STATEMENTS**

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

**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 2016 and 2015 net pension liability calculated using the discount rate, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<b><u>2016</u></b>		
	<b>1% Decrease <u>(6.0%)</u></b>	<b>Assumption <u>(7.0%)</u></b>	<b>1% Increase <u>(8.0%)</u></b>
Agency's proportionate share of the net pension liability (asset)	\$466,504	\$206,882	\$(12,487)

	<b><u>2015</u></b>		
	<b>1% Decrease <u>(6.5%)</u></b>	<b>Assumption <u>(7.5%)</u></b>	<b>1% Increase <u>(8.5%)</u></b>
Agency's proportionate share of the net pension liability (asset)	\$305,309	\$45,805	\$(173,281)

**Pension plan fiduciary net position:** The components of the net pension liability of the employers as of March 31, 2016 and 2015, were as follows:

	<b>(Dollars in Thousands)</b>	
	<b><u>Employees' Retirement System</u></b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>
Employers' total pension liability	\$ 172,303,544	\$164,591,504
Plan net position	<u>(156,253,265)</u>	<u>(161,213,259)</u>
Employers' net pension liability	<u>\$ 16,050,279</u>	<u>\$ 3,378,245</u>
Ratio of plan net position to the employers' total pension liability	90.7%	97.9%

**Town of Hempstead  
Industrial Development Agency**

**NOTES TO FINANCIAL STATEMENTS**

**8. Liability for compensated absences:**

The Agency, in conformity with the Town of Hempstead collective bargaining agreement, 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 hired before January 1, 2013 will be paid for a maximum of 800 hours of vacation time. An employee hired after January 1, 2013 will be paid for a maximum of 400 hours of vacation time, upon termination.

Sick time will be paid in accordance with a schedule based upon years of completed service, up to 1,600 hours if hired before January 1, 2013. If hired after this date the maximum paid sick time will be up to 800 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, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Balance, January 1	\$332,894	\$305,202
Additions	<u>41,833</u>	<u>27,692</u>
Balance, December 31	<u>\$374,727</u>	<u>\$332,894</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.

Effective November 1, 2016, the Agency's minimum fees are as follows:

- 1. Application fee:** The Agency charges a non-refundable fee of \$3,000 at the time of receiving a formal application for assistance.



**Town of Hempstead  
Industrial Development Agency**

**NOTES TO FINANCIAL STATEMENTS**

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

**2. Administrative fee:** The Agency charges one time administrative fees as follows:

	<b><u>Percentage of Value</u></b>
Tax exempt bonds, taxable bonds and straight lease fee:	
Up to \$25,000,000	0.6%
\$25,000,000 and over	0.1%

A transaction less than \$1,500,000 in total (all project costs) may be considered for a special straight-lease which would have an agency fee of \$7,000 or less.

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.

**3. Annual compliance fees:** The Agency charges an initial compliance fee of \$3,000 and an annual compliance fee of \$1,500 for the term of bonds or straight lease for any project that closes after November 1, 2016. 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.

**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:**

	<b><u>Minimum Amount</u></b>
Extension of inducement	\$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):**

	<b><u>Minimum Amount</u></b>
Document processing	\$1,000 - \$2,000
*Amendments, waivers, subordinate and collateral mortgage assignments, leases and sub-leases, etc.	\$ 750- \$1,500
Termination fee	\$1,000
Consent, 2nd mortgages and other financings	Set by Board on a case to case basis
<b><u>Percentage of value</u></b>	
*Refinance bonds	0.600%
*Assumption of outstanding bonds	0.125%

\* These fees are subject to adjustment at the discretion of the Agency, based on the complexity of the transaction involved.

The Agency recognizes its fees for services as operating revenues. Non-operating income results from activities not related to these transactions.

**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 ten years of service with any public employer in the State of New York and have a minimum of five full years of service in the Agency. There are currently three 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 2016 and 2015, the Agency's annual other post-employment benefit cost was \$68,674. At December 31, 2016 and 2015, the plan was unfunded. The Agency is informally setting aside funds with the intention that they be applied toward this future liability.

**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:** 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 2016 and 2015, the amount actually contributed to the plan and changes in the Agency's net OPEB obligation to the plan:

	<b><u>2016</u></b>	<b><u>2015</u></b>
Annual required contribution	\$ 72,700	\$ 72,700
Interest on net OPEB obligation	10,319	10,319
Adjustment to annual required contribution	<u>(14,345)</u>	<u>(14,345)</u>
Annual OPEB cost (expense)	68,674	68,674
Contributions made	<u>-</u>	<u>-</u>
Increase in net OPEB obligation	68,674	68,674
Net OPEB obligation - beginning of year	<u>395,318</u>	<u>326,644</u>
 Net OPEB obligation - end of year	 <u>\$463,992</u>	 <u>\$395,318</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, 2016 was as follows:

<b><u>Year Ended</u></b>	<b><u>Annual OPEB Cost</u></b>	<b><u>Percentage of Annual OPEB Cost Contributed</u></b>	<b><u>Net OPEB Obligation</u></b>
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
12/31/15	\$68,674	0%	\$395,318
12/31/16	\$68,674	0%	\$463,992

**Town of Hempstead  
Industrial Development Agency**

**NOTES TO FINANCIAL STATEMENTS**

**10. Post-employment health insurance benefit plan (continued):**

**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.

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

**Town of Hempstead  
Industrial Development Agency**

**NOTES TO FINANCIAL STATEMENTS**

**10. Post-employment health insurance benefit plan (continued):**

**Assumptions (continued):**

Projected salary increases: not applicable

**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):**

<b><u>Valuation Year Ending 12/31</u></b>	<b><u>NYSHIP Inflation Rate</u></b>	<b><u>NYSHIP Medicare Trend</u></b>	<b><u>Medicare Part B Trend</u></b>
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)

<b><u>Age</u></b>	<b><u>Age at least 55 and service less than 20 years of service</u></b>	<b><u>Age at least 55 or service greater than 20 years of service</u></b>
55	5%	30%
56-58	5%	20%
59-60	6%	20%
61	10%	30%
62	15%	40%
63-64	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**

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

**Assumptions (continued):**

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

**Amortization method:** A 30 year closed amortization period is being used. The remaining amortization period at December 31, 2016 and 2015 was 21 years and 22 years, respectively.

**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, 2016 and 2015 were \$5,952 and \$6,750, respectively. At December 31, 2016 and 2015, the Agency had a receivable of \$2,607 and \$8,825, respectively, for amounts owed from the Corporation which is reflected on the Statements of Net Position as other receivable.

**12. New pronouncements:**

The GASB has issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, the objective of which is to improve accounting and financial reporting for postemployment benefits other than pensions (OPEB). The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017.

The GASB has issued Statement 80, *Blending Requirements for Certain Component Units - an Amendment of Statement No.14*, the objective of which is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016.

**Town of Hempstead  
Industrial Development Agency**

**NOTES TO FINANCIAL STATEMENTS**

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**12. New pronouncements (continued):**

The GASB has issued Statement 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*, the objective of which is to address certain issues that have been raised with respect to GASB Statement 67, *Financial Reporting for Pension Plans*, GASB Statement 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirements of these statements are effective for reporting periods beginning after June 15, 2016, with certain exceptions.

The Agency is currently evaluating the impact of the above pronouncements.

**13. Legal activity:**

During 2016 the residents of the Town of Hempstead brought an Article 78 proceeding challenging the granting of benefits by the Agency to a downtown Hempstead revitalization project based on an argument that the benefits cannot be granted to a residential project. The petitioners did not seek money damages but rather sought to nullify the Agency's benefits. On January 25, 2017, the Nassau County Supreme Court dismissed the petition in its entirety. On February 25, 2017, petitioners served a notice of appeal. The Agency is vigorously defending the claims asserted.



**Town of Hempstead  
Industrial Development Agency**

**BUDGETARY COMPARISON SCHEDULE**

**For the Year Ended December 31, 2016**

	<u>Budgetary Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Fees for services	\$ 952,200	\$ 944,553	\$ 491,922	\$ (452,631)
Interest income	3,500	3,500	5,664	2,164
Total revenues	<u>955,700</u>	<u>948,053</u>	<u>497,586</u>	<u>(450,467)</u>
<b>Expenses:</b>				
Salaries	517,000	490,700	559,397	(68,697)
Payroll tax	38,500	36,520	38,001	(1,481)
Pension expense	115,000	112,780	95,367	17,413
Compensated absences	37,000	37,000	41,833	(4,833)
Health insurance	73,000	65,353	62,033	3,320
Post-employment health benefits	-	-	68,674	(68,674)
Contractual and professional fees	25,500	56,000	56,000	-
Advertising	75,000	79,188	91,212	(12,024)
Rent	26,500	23,500	23,500	-
Office and related expenses	26,300	28,352	26,813	1,539
Meetings and travel	10,200	10,200	8,191	2,009
Dues and subscriptions	3,500	4,364	4,363	1
Depreciation	8,200	8,200	8,040	160
Intergovernmental compliance	-	-	125,000	(125,000)
Total expenses	<u>955,700</u>	<u>952,157</u>	<u>1,208,424</u>	<u>(256,267)</u>
<b>Excess (deficiency) of revenues over (under) expenses</b>				
	<u>\$ -</u>	<u>\$ (4,104)</u>	<u>\$ (710,838)</u>	<u>\$ (706,734)</u>

**Town of Hempstead  
Industrial Development Agency**

**BUDGETARY COMPARISON SCHEDULE**

For the Year Ended December 31, 2015

	<u>Budgetary Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Fees for services	\$ 952,344	\$ 952,344	\$ 941,505	\$ (10,839)
Interest income	3,500	3,500	5,840	2,340
Total revenues	<u>955,844</u>	<u>955,844</u>	<u>947,345</u>	<u>(8,499)</u>
<b>Expenses:</b>				
Salaries	505,000	505,000	542,866	(37,866)
Payroll tax	39,184	39,184	38,951	233
Pension expense	119,250	119,250	52,026	67,224
Compensated absences	35,000	35,000	27,692	7,308
Health insurance	74,925	74,925	71,167	3,758
Post-employment health benefits	-	-	68,674	(68,674)
Contractual and professional fees	31,500	31,500	30,675	825
Advertising	75,320	75,320	75,320	-
Rent	26,500	26,500	24,164	2,336
Office and related expenses	25,580	25,580	24,361	1,219
Meetings and travel	12,950	12,950	11,213	1,737
Dues and subscriptions	3,400	3,400	3,292	108
Depreciation	7,235	7,235	7,233	2
Total expenses	<u>955,844</u>	<u>955,844</u>	<u>977,634</u>	<u>(21,790)</u>
<b>Excess (deficiency) of revenues over (under) expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (30,289)</u>	<u>\$ (30,289)</u>

**Town of Hempstead  
Industrial Development Agency**

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Accrued Liability (UAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAL as a Percentage of Covered Payroll</b>
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

**Town of Hempstead  
Industrial Development Agency**

**SCHEDULE OF THE AGENCY'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY**

**New York State and Local Retirement System Pension Plan  
Last Two Fiscal Years\***

	<u>2016</u>	<u>2015</u>
Agency's proportion of the net pension liability	0.0012890%	0.0013559%
Agency's proportionate share of the net pension liability	\$ 206,882	\$ 45,805
Agency's covered-employee payroll	559,397	542,866
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	37.0%	8.4%
Plan fiduciary net position as a percentage of the total pension liability	90.7%	97.9%

\* The amounts presented for each fiscal year were determined as of the System's measurement date, March 31st

**Town of Hempstead  
Industrial Development Agency**

**SCHEDULE OF THE AGENCY'S CONTRIBUTIONS**

**New York State and Local Retirement System Pension Plan  
Last Two Fiscal Years\***

	<b><u>2016</u></b>	<b><u>2015</u></b>
Contractually required contribution	\$ 112,269	\$119,201
Contributions in relation to the contractually required contribution	<u>(112,269)</u>	<u>(119,201)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Agency's covered-employee payroll	\$ 559,397	\$ 542,866
Contributions as a percentage of covered-employee payroll	20.07%	21.96%

\* The amounts presented for each fiscal year were determined as of the fiscal year end.



437 Madison Avenue, 29th Floor  
New York, NY 10022 • 212.962.4470

165 Orinoco Drive, Brightwaters, NY 11718  
631.665.7040 • Fax: 631.665.7014

15 South Bayles Avenue, Port Washington, NY 11050  
516.883.5510 • Fax: 516.767.7438

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

To the Board of Directors  
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, 2016, 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 20, 2017.

**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 opinion 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 Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sheehan & Company CPA, P.C.*

Brightwaters, New York  
March 20, 2017