

**Town of Hempstead
Industrial Development Agency**

FINANCIAL REPORT

December 31, 2015 and 2014

**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, 2015 and December 31, 2014. Please read this in conjunction with the basic financial statements and the accompanying notes to those financial statements.

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 Governmental Accounting Standards Board (GASB) Statement 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.
- As of the close of the current year, the Agency reported net position of \$3,170,516, an increase of \$27,643 from the unadjusted 2014 amount (see Note 12 for restatement).

Financial Highlights - 2014:

- 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 2014, the Agency reported net position of \$3,142,873, an increase of \$501,955 from 2013.

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. The Agency applies full accrual accounting methods as used by similar business activities in the private

Town of Hempstead Industrial Development Agency

MANAGEMENT'S DISCUSSION AND ANALYSIS

Basic Financial Statements (continued):

sector. These statements include all assets and deferred outflows of the Agency as well as liabilities, 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.

These two 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 - 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 (loss)	(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 the prior year as a result of operating activities.
- The Agency's 2015 net position decreased by \$30,289 from the 2014 restated net position (see Note 12).
- 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 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 the current year, 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 in 2015.

Town of Hempstead Industrial Development Agency

MANAGEMENT'S DISCUSSION AND ANALYSIS

Analysis of Balances and Transactions - 2015:

- The Agency reported net position of \$3,170,516, which is \$27,643 higher than the 2014 unadjusted balance (see Note 12 for restatement).

Budgetary Analysis - 2015:

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

Condensed Comparative Financial Statements - 2014:

Condensed Statements of Net Position at December 31,

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current assets	\$3,853,877	\$3,327,267	\$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:				
Net investment 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

Town of Hempstead Industrial Development Agency

MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Comparative Financial Statements - 2014 (continued):

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	497,110	90,304	406,806	450.49
Non-operating income	<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 Net Position and Results of Operations - 2014:

- 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 pension 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 - 2014:

- The Agency reported net position of \$3,142,873, which is \$501,955 higher than in 2013.

Town of Hempstead Industrial Development Agency

MANAGEMENT'S DISCUSSION AND ANALYSIS

Budgetary Analysis - 2014:

- 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.

Economic Factors and Next Year's Budget:

The Agency has budgeted revenues and expenses of \$955,700 for the 2016 budget, a decrease of \$144 from the adopted 2015 budget.

**Town of Hempstead
Industrial Development Agency**

**FINANCIAL STATEMENTS
AND
AUDITOR'S REPORT**

December 31, 2015 and 2014

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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, 2015 and 2014 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.

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, 2015 and 2014 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.

Emphasis of Matter

The Agency's financial statements for the year ended December 31, 2015 reflect the provisions of Governmental Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement 27*, and Governmental Accounting Standards Board Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement 68*. The Agency has implemented the requirements of these statements in accordance with their required effective dates. Refer to Note 12 in the accompanying financial statements for the impact of this implementation. Our opinion is not modified with respect to this matter.

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 Schedule, 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 33 through 37 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.

To the Board of Directors
Town of Hempstead Industrial Development Agency
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2016 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, P.C.

Brightwaters, New York
March 25, 2016

**Town of Hempstead
Industrial Development Agency**

STATEMENTS OF NET POSITION

December 31, 2015 and 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents	\$ 3,836,594	\$ 3,850,100
Fees receivable	1,000	500
Other receivable	<u>8,825</u>	<u>3,277</u>
Total current assets	<u>3,846,419</u>	<u>3,853,877</u>
Property and equipment:		
Furniture and equipment	146,148	140,389
Less accumulated depreciation	<u>88,862</u>	<u>87,979</u>
Property and equipment, net	<u>57,286</u>	<u>52,410</u>
 Total assets	 <u>3,903,705</u>	 <u>3,906,287</u>

DEFERRED OUTFLOWS OF RESOURCES

Changes in proportion and differences between Agency contributions and proportionate share of contributions	42,289	-
Net difference between projected and actual investment earnings on pension plan investments	7,956	-
Differences between expected and actual experience	<u>1,466</u>	<u>-</u>
 Total deferred outflows of resources	 <u>51,711</u>	 <u>-</u>
 Total assets and deferred outflows of resources	 <u>3,955,416</u>	 <u>3,906,287</u>

See notes to financial statements

**Town of Hempstead
Industrial Development Agency**

STATEMENTS OF NET POSITION

December 31, 2015 and 2014

LIABILITIES

	<u>2015</u>	<u>2014</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 10,883	\$ 121,654
Due to affiliate	<u>-</u>	<u>9,914</u>
Total current liabilities	<u>10,883</u>	<u>131,568</u>
Long-term liabilities:		
Compensated absences	332,894	305,202
Post-employment health benefits	395,318	326,644
Net pension liability - proportionate share	<u>45,805</u>	<u>-</u>
Total long-term liabilities	<u>774,017</u>	<u>631,846</u>
 Total liabilities	 <u>784,900</u>	 <u>763,414</u>
<u>NET POSITION</u>		
Net investment in capital assets	57,286	52,410
Unrestricted	<u>3,113,230</u>	<u>3,090,463</u>
Total net position	<u>\$ 3,170,516</u>	<u>\$ 3,142,873</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Fees for services	\$ 941,505	\$ 1,551,357
Total operating revenues	941,505	1,551,357
Operating expenses:		
Salaries	542,866	530,398
Payroll taxes	38,951	37,221
Reimbursed expenses	-	26,904
Pension expense	52,026	119,201
Compensated absences	27,692	34,826
Health insurance	71,167	67,866
Post-employment health benefits	68,674	68,674
Contractual and professional fees	30,675	24,250
Advertising	75,320	75,020
Rent	24,164	24,215
Office and related expenses	24,361	22,655
Meetings and travel	11,213	11,008
Dues and subscriptions	3,292	4,164
Depreciation and amortization	7,233	7,845
Total operating expenses	977,634	1,054,247
Operating income (loss)	(36,129)	497,110
Non-operating income:		
Interest income	5,840	4,845
Change in net position	(30,289)	501,955

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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Net position, January 1 (as previously presented)	<u>\$ 3,142,873</u>	<u>\$ 2,640,918</u>
Net position, January 1 (as restated, see Note 12)	<u>3,200,805</u>	<u>-</u>
Net position, December 31	<u>\$ 3,170,516</u>	<u>\$ 3,142,873</u>

See notes to financial statements

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**Town of Hempstead
Industrial Development Agency**

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received:		
From providing services	\$ 941,005	\$ 1,551,857
Cash payments:		
Contractual services	(322,950)	(341,785)
Personal services and employee benefits	<u>(625,292)</u>	<u>(600,659)</u>
Net cash provided (used) by operating activities	<u>(7,237)</u>	<u>609,413</u>
Cash flows from capital and related financing activities:		
Purchase of equipment	<u>(12,109)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(12,109)</u>	<u>-</u>
Cash flows from investing activities:		
Interest income	<u>5,840</u>	<u>4,845</u>
Net cash provided by investing activities	<u>5,840</u>	<u>4,845</u>
Net increase (decrease) in cash and cash equivalents	(13,506)	614,258
Cash and cash equivalents, January 1	<u>3,850,100</u>	<u>3,235,842</u>
Cash and cash equivalents, December 31	<u>\$ 3,836,594</u>	<u>\$ 3,850,100</u>

See notes to financial statements

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**Town of Hempstead
Industrial Development Agency**

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (36,129)	\$ 497,110
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	7,233	7,845
Change in assets, deferred outflows of resources and liabilities:		
(Increase) decrease in assets:		
Prepaid expenses	-	425
Fee receivable	(500)	500
Other receivable	(5,548)	(3,277)
(Increase) in deferred outflows of resources	(51,711)	-
Increase (decrease) in liabilities:		
Accrued expenses	(110,771)	(6,604)
Due to affiliate	(9,914)	9,914
Compensated absences	27,692	34,826
Post-employment health benefits	68,674	68,674
Net pension liability - proportionate share	<u>103,737</u>	<u>-</u>
Total adjustments	<u>28,892</u>	<u>112,303</u>
Net cash provided (used) by operating activities	<u>\$ (7,237)</u>	<u>\$ 609,413</u>

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 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, 2015 and 2014, the Agency has no balance in this classification.

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued):

Equity classifications (continued):

- c. **Unrestricted net position:** All other balances in net position that do not meet the definition of "restricted" or "net investment in capital assets".

Advertising costs: Advertising costs are charged to operations when incurred. Advertising costs for the years ended December 31, 2015 and 2014 were \$75,320 and \$75,020, 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 2015, the Agency adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement 27*, effective for the year ending December 31, 2015. GASB Statement 68 significantly changes how governments measure and report the long-term obligations and annual costs associated with the pension benefits they provide.

During 2015, the Agency also adopted GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement 68*. The objective of GASB Statement 71 is to address an issue regarding application of the transition provisions of GASB Statement 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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.

Town of Hempstead Industrial Development Agency

NOTES TO FINANCIAL STATEMENTS

2. Conduit debt obligations, Industrial Revenue Bond transactions (continued):

As of December 31, 2015 and 2014, outstanding debt induced by the Agency and issued by other entities amount to approximately \$135,875,821 and \$177,748,861, 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.

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 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 110% of the aggregate amount of uninsured deposits. 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, 2015, the Agency's bank balances totaled \$3,838,566. This amount is exclusive of petty cash of \$64. Of the bank balances, \$1,038,621 was covered by federal

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

4. Cash and cash equivalents (continued):

deposit insurance and \$2,799,945 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, 2015 and 2014 was \$24,164 and \$24,215, 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, 2015 is summarized as follows:

	Balance December <u>31, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance December <u>31, 2015</u>
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
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>

Activity for furniture and equipment for the year ended December 31, 2014 is summarized as follows:

	Balance December <u>31, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance December <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>

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

6. Property and equipment (continued):

Depreciation expense for the years ending December 31, 2015 and 2014 was \$7,233 and \$7,845, 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 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

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

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:

2015	\$119,201
2014	118,388
2013	105,799

The Agency's 2016 invoice to the System for \$112,269 is due February 1, 2016 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 2016.

**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, 2015, the Agency reported a liability of \$45,805 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2015, the Agency's proportion was .0013559%.

**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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
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>

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

<u>Year Ended March 31:</u>	<u>Amount</u>
2016	\$12,928
2017	12,928
2018	12,928
2019	12,928

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

7. Pension plan (continued):

Actuarial assumptions: 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, 2015. The actuarial valuation used the following actuarial assumptions:

Inflation	2.7%
Salary increases	4.9%
Investment rate of return (net of investment expense, including inflation)	7.5%

Annuitant mortality rates 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.

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, 2015 are summarized below:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
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%

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

7. Pension plan (continued):

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

Sensitivity of the proportionate share of the net pension liability to the discount rate assumption: The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Assumption <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
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 current-year net pension liability of the employers as of March 31, 2015, were as follows:

(Dollars in Thousands)	
Employees' Retirement System	
Employers' total pension liability	\$ 164,591,504
Plan net position	<u>(161,213,259)</u>
Employers' net pension liability	<u>\$ 3,378,245</u>
Ratio of plan net position to the employers' total pension liability	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, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Balance, January 1	\$305,202	\$270,376
Additions	<u>27,692</u>	<u>34,826</u>
Balance, December 31	<u>\$332,894</u>	<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.

**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:

	<u>Percentage of Value</u>
Tax exempt bonds, taxable bonds and straight lease fee:	
Up to \$30,000,000	0.6%
\$30,000,000 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 \$5,000 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.

25% of the fees are collected upon the issuance of the sales tax letter and the balance at closing.

3. Annual compliance fees: The Agency charges an annual compliance 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:

	<u>Minimum Amount</u>
Extension of inducement	\$250

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

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

6. Miscellaneous fees (continued):

	<u>Minimum Amount</u>
Document processing	\$750 - \$1,500
*Amendments, waivers, subordinate and collateral mortgage assignments, leases and sub-leases, etc.	\$500
Termination fee	\$500
Consent, 2 nd mortgages and other financings	set by Board on a case to case basis
<u>Percentage of value</u>	
*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 2015 and 2014, the Agency's annual other post-employment benefit cost was \$68,674. At December 31, 2015 and 2014, 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 2015 and 2014, the amount actually contributed to the plan and changes in the Agency's net OPEB obligation to the plan:

	<u>2015</u>	<u>2014</u>
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>326,644</u>	<u>257,970</u>
 Net OPEB obligation - end of year	 <u>\$395,318</u>	 <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, 2015 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
12/31/15	\$68,674	0%	\$395,318

**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):

<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%
63-64	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.

Amortization method: A 30 year closed amortization period is being used. The remaining amortization period at December 31, 2015 and 2014 was 22 years and 23 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, 2015 and 2014 were \$6,750 and \$6,657, respectively. In addition, during the year ended December 31, 2015, the Corporation reimbursed the Agency \$5,500 for advertising expenses. At December 31, 2015 and 2014, the Agency had a receivable of \$8,825 and \$3,277, respectively, for amounts owed from the Corporation which is reflected on the Statements of Net Position as other receivable.

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 2014 Statement of Net Position as due to affiliate.

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

12. Prior period adjustment:

The following restatement was performed to net position at the beginning of 2015 due to a change in accounting principle resulting from the adoption of GASB Statement 68:

Net position at January 1, 2015, as previously stated	\$ 3,142,873
Adjustment for Agency contributions made during the measurement period	119,201
Less net pension liability	<u>(61,269)</u>
Net position at January 1, 2015, as restated	<u>\$ 3,200,805</u>

The Agency presents comparative financial statements for the years ended December 31, 2015 and 2014. As it is not practical for the Agency to determine the amounts of all deferred inflows of resources and deferred outflows of resources related to pensions for the year ended December 31, 2014, the cumulative effect of applying this statement is reported as a restatement of beginning net position for the year ended December 31, 2015, the earliest period restated. The December 31, 2014 financial statements have not been restated.

13. New pronouncements:

The GASB has issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. The primary objective of GASB Statement 75 is to improve accounting and financial reporting for postemployment benefits other than pensions (OPEB). GASB Statement 75 replaces the requirements of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and GASB Statement 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The requirements of this statement become effective for the Agency for the year ended December 31, 2018.

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

13. New pronouncements (continued):

The GASB has issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of GASB Statement 76 is to identify, in the context of the current governmental financial reporting environment, the hierarchy of GAAP. The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. GASB Statement 76 supersedes GASB Statement 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this statement become effective for the Agency for the year ended December 31, 2016.

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

**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>		
Revenues:				
Fees for services	\$ 952,344	\$ 952,344	\$ 941,505	\$ (10,839)
Interest income	<u>3,500</u>	<u>3,500</u>	<u>5,840</u>	<u>2,340</u>
Total revenues	<u>955,844</u>	<u>955,844</u>	<u>947,345</u>	<u>(8,499)</u>
Expenses:				
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 and amortization	<u>7,235</u>	<u>7,235</u>	<u>7,233</u>	<u>2</u>
Total expenses	<u>955,844</u>	<u>955,844</u>	<u>977,634</u>	<u>(21,790)</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (30,289)</u>	<u>\$ (30,289)</u>

**Town of Hempstead
Industrial Development Agency**

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2014

	<u>Budgetary Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (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
Reimbursement expenses	-	-	26,904	(26,904)
Pension expense	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**

**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

**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 Fiscal Year***

	<u>2015</u>
Agency's proportion of the net pension liability	0.0013559%
Agency's proportionate share of the net pension liability	\$ 45,805
Agency's covered-employee payroll	542,866
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	8.4%
Plan fiduciary net position as a percentage of the total pension liability	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 Fiscal Year***

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

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

**Town of Hempstead
Industrial Development Agency**

**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**

December 31, 2015



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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, 2015, 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 25, 2016.

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, P.C.

Brightwaters, New York
March 25, 2016