

**Town of Hempstead
Industrial Development Agency**

FINANCIAL REPORT

December 31, 2008

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Town of Hempstead Industrial Development Agency's (the "Agency") financial performance provides an overview of the Agency's financial activities for the fiscal year ended December 31, 2008. Please read this in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights:

- The assets of the Agency exceeded its liabilities at December 31, 2008 by \$2,592,292.
- The Agency's total assets decreased by \$294,119 in year 2008. The Agency's total liabilities increased by \$51,312 in year 2008.
- As of the close of the current year, the Agency reported net assets of \$2,592,292, a decrease of \$345,431.

Basic Financial Statements:

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

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

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

	<u>2008</u>	<u>2007</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current assets	\$2,812,101	\$3,104,950	\$ (292,849)	(9.43)%
Property and equipment	<u>4,974</u>	<u>6,244</u>	<u>(1,270)</u>	(20.34)
Total assets	<u>\$2,817,075</u>	<u>\$3,111,194</u>	<u>\$ (294,119)</u>	(9.45)%
Current liabilities	\$ 30,073	\$ 31,401	\$ (1,328)	(4.23)%
Long-term liabilities	<u>194,710</u>	<u>142,070</u>	<u>52,640</u>	37.05
Total liabilities	<u>224,783</u>	<u>173,471</u>	<u>51,312</u>	29.58
Net assets:				
Invested in capital assets	4,974	6,244	(1,270)	(20.34)
Unrestricted	<u>2,587,318</u>	<u>2,931,479</u>	<u>(344,161)</u>	(11.74)
Total net assets	<u>2,592,292</u>	<u>2,937,723</u>	<u>(345,431)</u>	(11.76)
Total liabilities and net assets	<u>\$2,817,075</u>	<u>\$3,111,194</u>	<u>\$ (294,119)</u>	(9.45)%

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

	<u>2008</u>	<u>2007</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Total operating revenue	\$ 299,905	\$1,953,247	\$(1,653,342)	(84.65)%
Total operating expenses	<u>712,245</u>	<u>615,804</u>	<u>(96,441)</u>	(56.60)
Operating income (loss)	<u>(412,340)</u>	<u>1,337,443</u>	<u>(1,749,783)</u>	(130.83)
Non-operating revenues (expenses)	<u>66,909</u>	<u>96,792</u>	<u>(29,883)</u>	(30.87)
Change in net assets	<u>\$(345,431)</u>	<u>\$1,434,235</u>	<u>\$(1,779,666)</u>	(124.08)%

Analysis of Financial Position and Results of Operations:

- Cash and cash equivalents decreased by \$294,769 over the prior year due to the decrease in operating income.
- The Agency's 2008 net assets decreased by \$345,431 from the 2007 net assets.
- Overall, operating expenses increased over the prior year. The increase is partially due to the Agency recognizing a liability for post retirement health benefits, which accounted for \$23,700 of the increase in operating expenses. Other increases were due to increases in advertising and payroll and related expenditures. The Agency increased the amount of advertising during the year. Also, the Agency hired a new employee, who had previously been an independent contractor.
- Operating revenues decreased by \$1,653,342 from the prior year due to a decrease in the amount of projects the Agency closed in 2008.

Analysis of Balances and Transactions:

- The Agency, an enterprise fund, reported net assets of \$2,592,292, which is \$345,431 lower than last year.

Budgetary Analysis:

- Total actual revenues were under budgeted revenues by \$268,602. There were fewer closings during 2008 than were initially expected.
- Salaries were over budget for 2008 as the Agency hired an additional employee during the year, who had previously been working for the Agency as an independent contractor.
- Contractual and professional fees were under budget due to the reclassification of an independent contractor to an employee of the Agency.
- Post retirement health benefits had not been budgeted for as the Agency established the plan during the year.

**Town of Hempstead
Industrial Development Agency**

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

December 31, 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Town of Hempstead Industrial Development Agency
Hempstead, New York 11550

We have audited the accompanying financial statements and budgetary comparison schedules of the Town of Hempstead Industrial Development Agency (the "Agency"), a component unit of the Town of Hempstead, as of and for the years ended December 31, 2008 and 2007, as listed in the table of contents. These financial statements and budgetary comparison schedules are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements and budgetary comparison schedules 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 11, 2009 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* and should be considered in assessing the results of our audit.

To the Board of Directors
Town of Hempstead Industrial Development Agency
Page 2

The Management's Discussion and Analysis on pages i through iii and the schedule of funding progress on page 24 are not required parts of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Sheehan & Company CPA, P.C.

May 11, 2009

**Town of Hempstead
Industrial Development Agency**

BALANCE SHEETS

December 31, 2008 and 2007

ASSETS

	<u>2008</u>	<u>2007</u>
Current assets:		
Cash and cash equivalents	\$ 2,809,431	\$ 3,104,200
Prepaid expenses	1,100	750
Fees receivable	1,000	-
Other receivable	570	-
Total current assets	<u>2,812,101</u>	<u>3,104,950</u>
Property and equipment:		
Furniture and equipment	48,049	48,049
Less accumulated depreciation	43,075	41,805
Property and equipment, net	<u>4,974</u>	<u>6,244</u>
Total assets	<u>\$ 2,817,075</u>	<u>\$ 3,111,194</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 30,073	\$ 31,401
Total current liabilities	30,073	31,401
Long-term liabilities:		
Compensated absences	171,010	142,070
Postemployment health benefits	23,700	-
Total long-term liabilities	<u>194,710</u>	<u>142,070</u>
Total liabilities	<u>224,783</u>	<u>173,471</u>
Net assets:		
Invested in capital assets	4,974	6,244
Unrestricted	2,587,318	2,931,479
Total net assets	<u>2,592,292</u>	<u>2,937,723</u>
Total liabilities and net assets	<u>\$ 2,817,075</u>	<u>\$ 3,111,194</u>

See notes to financial statements

**Town of Hempstead
Industrial Development Agency**

STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating revenues:		
Fees for services	\$ <u>299,905</u>	\$ <u>1,953,247</u>
Operating expenses:		
Salaries	334,823	303,196
Payroll taxes	29,637	21,814
New York State Retirement System	28,808	31,081
Compensated absences	28,940	24,096
Health insurance	22,659	16,365
Postretirement health benefits	23,700	-
Contractual and professional fees	55,995	52,200
Advertising	140,017	113,362
Rent	15,671	15,670
Business development	-	5,000
Office and related expenses	13,467	14,594
Meetings and travel	15,010	15,041
Dues and subscriptions	2,248	2,167
Depreciation and amortization	<u>1,270</u>	<u>1,218</u>
Total operating expenses	<u>712,245</u>	<u>615,804</u>
 Operating income (loss)	 <u>(412,340)</u>	 <u>1,337,443</u>
 Non-operating income:		
Interest income	<u>66,909</u>	<u>96,792</u>
 Change in net assets	 (345,431)	 1,434,235
 Net assets, January 1	 <u>2,937,723</u>	 <u>1,503,488</u>
 Net assets, December 31	 <u>\$ 2,592,292</u>	 <u>\$ 2,937,723</u>

See notes to financial statements

**Town of Hempstead
Industrial Development Agency**

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Cash received:		
From providing services	\$ 298,905	\$ 1,953,247
Cash payments:		
Contractual services	(302,404)	(276,297)
Personal services and employee benefits	(358,179)	(317,279)
New York State taxes payable	<u>-</u>	<u>(194,638)</u>
Net cash provided (used) by operating activities	<u>(361,678)</u>	<u>1,165,033</u>
Cash flows from investing activities:		
Acquisition of furniture and equipment	-	(6,350)
Interest income	<u>66,909</u>	<u>96,792</u>
Net cash provided by investing activities	<u>66,909</u>	<u>90,442</u>
Net increase (decrease) in cash and cash equivalents	(294,769)	1,255,475
Cash and cash equivalents, January 1	<u>3,104,200</u>	<u>1,848,725</u>
Cash and cash equivalents, December 31	<u>\$ 2,809,431</u>	<u>\$ 3,104,200</u>

See notes to financial statements

**Town of Hempstead
Industrial Development Agency**

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Reconciliation of operating income to net cash provided (used) in operating activities:		
Operating income (loss)	\$ (412,340)	\$ 1,337,443
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	1,270	1,218
Change in assets and liabilities:		
(Increase) decrease in assets:		
Prepaid expenses	(350)	399
Fee receivable	(1,000)	-
Other receivable	(570)	-
Increase (decrease) in liabilities:		
Accrued expenses	(1,328)	(3,485)
New York State taxes payable	-	(194,638)
Compensated absences	28,940	24,096
Postretirement health benefits	23,700	-
Total adjustments	<u>50,662</u>	<u>(172,410)</u>
Net cash provided (used) by operating activities	<u>\$ (361,678)</u>	<u>\$ 1,165,033</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 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 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 component unit of the Town of Hempstead.

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

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

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

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

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 Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinion and Account Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Use of estimates:

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

Cash and cash equivalents:

For purposes of the statements of cash flows, investments with maturities of three months or less when purchased are considered cash equivalents.

Property and equipment:

Property and equipment is stated at cost and is being depreciated using the straight-line methods over the useful lives of the assets, which is five years.

Equity classifications:

Equity is classified as net assets and displayed in three components:

- a. **Invested in capital assets, net of related debt:** Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

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

Equity classifications (continued):

- b. **Restricted net assets:** Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- c. **Unrestricted net assets:** All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Net assets invested in capital assets as of December 31, 2008 and 2007 are \$4,974 and \$6,244, respectively. Unrestricted assets as of December 31, 2008 and 2007 are \$2,587,318 and \$2,931,479, respectively.

Advertising costs:

Advertising costs are charged to operations when incurred. Advertising costs for the years ended December 31, 2008 and 2007 are \$140,017 and \$113,362, respectively.

Budgetary data:

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

2. **Change in accounting principle:**

For the year ended December 31, 2008, the Agency implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement 45 requires the recording of an other postemployment benefit (OPEB) liability that relates to the Agency's future liability for current and future retirees and their spouses of the Agency for benefits other than pensions, such as medical insurance. The statement is recorded prospectively in the first year of implementation. Details relating to the Agency's OPEB liability and its calculation are provided at Note 11.

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

3. 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, 2008 and 2007, outstanding debt induced by the Agency and issued by other entities amount to approximately \$446,881,683 and \$473,342,041, 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.

4. 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's bank account and subsequently disbursed to the appropriate taxing jurisdictions.

5. Cash and cash equivalents:

The statutes of the State of New York govern the Agency's investment policies. Agency monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. The Treasurer is authorized to use demand accounts and invest in certificates of deposit. Permissible investments include obligations of the U.S. Treasury and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit at 100% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts.

At December 31, 2008, all items classified as cash and cash equivalents on the balance sheet were fully covered by federal depository insurance or by collateral held by the Agency's custodial agents in the Agency's name. Periodically, the Agency determines that the collateral or underlying securities have an adequate market value and have been segregated.

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

5. Cash and cash equivalents (continued):

As of December 31, 2008 and 2007, the carrying balance of cash and cash equivalents consisted of:

	<u>2008</u>	<u>2007</u>
Checking	\$1,072,855	\$1,026,770
Savings	1,736,512	2,077,366
Petty cash	<u>64</u>	<u>64</u>
Total	<u>\$2,809,431</u>	<u>\$3,104,200</u>

The Agency's bank balances are categorized to give an indication of the level of custodial risk assumed by the Agency at year-end. Under the criteria of GASB Statement Nos. 3 and 40, Category 1 includes bank balances, which are insured or collateralized with the securities held by the Agency or its agent in the Agency's name; Category 2 includes bank balances which are collateralized with securities by the pledging financial institution's trust department or agent in the Agency's name; and Category 3 includes bank balances that are collateralized with securities held by the pledging financial institution, or by the trust department or agent, but not in the Agency's name.

At December 31, 2008, the Agency bank balances were fully insured or collateralized as follows:

	<u>Amount</u>
Category 1:	
Insured by FDIC	\$1,059,114
Category 2:	
Collateralized by securities held by the pledging financial institution in the Agency's name	-
Category 3:	
Collateralized by securities held by the pledging financial institution, but not in the Agency's name	<u>1,761,969</u>
	<u>\$2,821,083</u>

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

6. Lease obligations:

On January 1, 1998, the Agency entered into an agreement with the Town of Hempstead to lease office space in the building located at 350 Front Street, Suite 240, Hempstead, New York. On September 30, 1999, the Agency amended its lease agreement with the Town of Hempstead to expand its office space. The term of the lease is four years. According to the lease, the premises must be used and occupied only for office space. On January 23, 2003, the Agency extended its lease agreement with the Town of Hempstead for a five-year period beginning January 1, 2003 and expiring December 31, 2007. Rent expense for the years ended December 31, 2008 and 2007 was \$15,671 and \$15,670, respectively.

The Agency is in negotiations with the Town of Hempstead to renew the lease, which expired December 31, 2007. The Agency is obtaining additional office space, which will affect the future lease agreement. The Agency will continue to pay the Town of Hempstead at the 2007 rental rate until a new lease is agreed upon.

7. Property and equipment:

Activity for capital assets is summarized as follows:

	Balance December <u>31, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance December <u>31, 2008</u>
Equipment	\$ 9,111	\$ -	\$ -	\$ 9,111
Furniture and fixtures	24,798	-	-	24,798
Leasehold improvements	<u>14,140</u>	<u>-</u>	<u>-</u>	<u>14,140</u>
	48,049	-	-	48,049
Less accumulated depreciation	<u>(41,805)</u>	<u>(1,270)</u>	<u>-</u>	<u>(43,075)</u>
Net	<u>\$ 6,244</u>	<u>\$ (1,270)</u>	<u>\$ -</u>	<u>\$ 4,974</u>

Depreciation expense for the years ending December 31, 2008 and 2007 was \$1,270 and \$1,218, respectively.

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

8. Pension plan:

Plan description:

The Agency participates in the New York State and Local Employees' Retirement System (ERS), and the Public Employees' Group Life Insurance Plan (Systems).

These are cost sharing, multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

Funding policy:

The Systems are noncontributory except for employees who joined the New York State and ERS after July 27, 1976 who contribute 3% of their salary for the first ten years of membership. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed used in computing the employers' contributions. The Agency is required to contribute at an actuarially determined rate.

The required contributions for the current year and two preceding years were:

2008	\$28,808
2007	31,081
2006	33,380

The Agency's contributions made to the Systems were equal to 100% of the contributions required for each year.

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

8. Pension plan (continued):

Funding policy (continued):

Since 1989, the System's billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 (which otherwise were to have been paid on June 30, 1989 and 1990, respectively) over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability.

Chapter 49 of the Laws of 2003 of the State of New York was enacted, which made the following changes to the Systems:

- Requires minimum contributions by employers of 4.50% of payroll every year, including years in which the investment performance would make a lower contribution possible.
- Changes the cycle of annual billing, such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1st.

Chapter 260 of the Laws of 2004 of the State of New York was enacted that allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- For state fiscal year (SFY) 2004-05, the amount in excess of 7.00% of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.50% of employees' covered pensionable salaries.
- For SFY 2007-08, the amount in excess of 10.50% of employees' covered pensionable salaries.

This law requires participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2008.

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

8. Pension plan (continued):

Change in payment due date:

Chapter 260 of the Laws of New York State changed the annual payment due date for employers who participate in the New York State and ERS and the New York State and Local Police and Fire Retirement System. The December 15 payment due date changed to February 1. The covered salary period (April 1 - March 31) will not change for the calculation.

9. Liability for compensated absences:

The Agency, in conformity with the Town of Hempstead, maintains a policy which permits employees to accumulate a limited amount of earned but unused vacation leave and sick time, which will be used in future years or paid upon separation from the Agency's service. Upon termination, an employee will be paid for a maximum of 640 hours of vacation time. Sick time will be paid in accordance with a schedule based upon years of completed service, up to 1,600 hours. The cost of accumulated vacation and sick leave, as well as an amount for salary related payments (i.e. Social Security and Medicare taxes) is recorded as a liability and expense when accrued.

The liability for compensated absences as of December 31, 2008 is as follows:

Balance, January 1	\$142,070
Additions (deletions)	<u>28,940</u>
Balance, December 31	<u>\$171,010</u>

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

10. 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.

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

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

The Agency's minimum fees are as follows:

1. **Application fee:** The Agency charges a non-refundable fee of \$1,000 at the time of receiving a formal application for assistance.
2. **Administrative fee:** The Agency charges one time administrative fees as follows:

	<u>Percentage of Value</u>
Tax exempt bond fee	0.5%
Taxable bonds and straight lease fee:	
Up to \$20,000,000	0.5%
\$20,000,000 and over	0.1%

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

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

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

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

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

6. Miscellaneous fees:

	<u>Minimum Amount</u>
Extension of inducement	\$250
Amendments, waivers, subordinate and collateral mortgage assignments, consents, leases and sub-leases, etc.	500
Termination fee	500
<u>Percentage of value</u>	
Refinance bonds	0.500%
Assumption of outstanding bonds	0.125%

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

11. Postemployment Health Insurance Benefit Plan:

Plan description:

During 2008, the Agency established a postemployment 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 attained age fifty-five, 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 is currently one active participant 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 are met by contributions from the Agency. For 2008, the Agency's annual other postemployment benefit cost was \$23,700. In 2008, the Agency made no contributions to the plan. At December 31, 2008 the plan is underfunded.

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

11. Postemployment 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 thirty years. The following shows the components of the Agency's annual OPEB cost for 2008, the amount actually contributed to the plan, and changes in the Agency's net OPEB obligation to the plan:

Annual required contribution	\$23,700
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	23,700
Contributions made	-
Increase in net OPEB obligation	23,700
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	\$23,700

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 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	- %	\$23,700

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

11. Postemployment Health Insurance Benefit Plan (continued):

Funded status and funding progress:

As of January 1, 2008, the most recent actuarial valuation date, the plan was -0-% funded. The actuarial accrued liability for benefits was \$275,800, and the actuarial value of assets earmarked for benefits was \$-0-, resulting in an underfunding in the amount of \$275,800.

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

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

11. Postemployment Health Insurance Benefit Plan (continued):

Actuarial methods and assumptions (continued):

Assumptions:

Discount rate: 4.0%

Investment return: not applicable

Projected salary increases: not applicable

Healthcare cost trend rate:

	<u>Medical Benefits</u>	
	<u>Pre-65</u>	<u>Post-65</u>
1st year inflation rate	1.00%	0.00%
2nd year inflation rate	9.00%	10.00%
Ultimate inflation rate	5.00%	5.00%
Yearly decrease in inflation rate	0.50%	0.50%
Years until ultimate inflation rate	9	11

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

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

11. Postemployment Health Insurance Benefit Plan (continued):

Actuarial methods and assumptions (continued):

Assumptions (continued):

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

Benefit plan participation percentage:

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

Amortization method: A 30 year amortization period is being used. The remaining amortization period at December 31, 2008 is 29 years.

**Town of Hempstead
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BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2008

	<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:				
Bond issuance fees	\$ 568,507	\$ 568,507	\$ 299,905	\$ (268,602)
Interest income	<u>65,000</u>	<u>65,000</u>	<u>66,909</u>	<u>1,909</u>
Total revenues	<u>633,507</u>	<u>633,507</u>	<u>366,814</u>	<u>(266,693)</u>
Expenses:				
Salaries	282,757	282,757	334,823	(52,066)
Payroll tax	25,600	25,600	29,637	(4,037)
New York State Retirement System	32,000	32,000	28,808	3,192
Compensated absences	28,000	28,000	28,940	(940)
Health insurance	19,750	19,750	22,659	(2,909)
Postretirement health benefits	-	-	23,700	(23,700)
Contractual and professional fees	68,000	68,000	55,995	12,005
Advertising	120,000	120,000	140,017	(20,017)
Rent	16,000	16,000	15,671	329
Business development	5,000	5,000	-	5,000
Office and related expenses	16,800	16,800	13,467	3,333
Meetings and travel	16,500	16,500	15,010	1,490
Dues and subscriptions	2,000	2,000	2,248	(248)
Depreciation and amortization	<u>1,100</u>	<u>1,100</u>	<u>1,270</u>	<u>(170)</u>
Total expenses	<u>633,507</u>	<u>633,507</u>	<u>712,245</u>	<u>(78,738)</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (345,431)</u>	<u>\$ (345,431)</u>

**Town of Hempstead
Industrial Development Agency**

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2007

	<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:				
Bond issuance fees	\$ 594,670	\$ 594,670	\$ 1,953,247	\$ 1,358,577
Interest income	35,000	35,000	96,792	61,792
Total revenues	<u>629,670</u>	<u>629,670</u>	<u>2,050,039</u>	<u>1,420,369</u>
Expenses:				
Salaries	296,800	296,800	303,196	(6,396)
Payroll tax	25,000	25,000	21,814	3,186
New York State Retirement System	34,000	34,000	31,081	2,919
Compensated absences	27,000	27,000	24,096	2,904
Health insurance	19,000	18,800	16,365	2,435
Post retirement health benefits	-	-	-	-
Contractual and professional fees	54,000	54,000	52,200	1,800
Advertising	118,000	113,400	113,362	38
Rent	15,670	15,670	15,670	-
Business development	5,000	5,000	5,000	-
Office and related expenses	15,700	20,300	14,594	5,706
Meetings and travel	16,400	16,400	15,041	1,359
Dues and subscriptions	2,000	2,200	2,167	33
Depreciation and amortization	1,100	1,100	1,218	(118)
Total expenses	<u>629,670</u>	<u>629,670</u>	<u>615,804</u>	<u>13,866</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,434,235</u>	<u>\$ 1,434,235</u>

**Town of Hempstead
Industrial Development Agency**

**POSTEMPLOYMENT HEALTH INSURANCE BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded (Overfund ed) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2008	\$ -	\$ 275,800	\$ 275,800	0.0%	N/A	N/A