

**Town of Hempstead
Industrial Development Agency**

**COMMUNICATION WITH THOSE CHARGED
WITH GOVERNANCE**

December 31, 2020



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

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

A PROFESSIONAL CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

www.sheehancpa.com

March 13, 2021

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

We have audited the financial statements of the Town of Hempstead Industrial Development Agency (the Agency), a component unit of the Town of Hempstead, New York, for the year ended December 31, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 27, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the Agency for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Agency's financial statement was:

The Agency's estimate of the other post-employment benefit plan (OPEB) is based on a third-party valuation. The 2020 valuation was prepared in accordance Governmental Accounting Standards Board (GASB) Statement 75, *Accounting and Financial Reporting for Post-employment Benefit Plans Other Than Pensions*. We evaluated the key factors and assumptions used to develop the OPEB estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

To the Board of Directors
Town of Hempstead Industrial Development Agency
March 13, 2021
Page 2

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial and communicate them to the appropriate level of management. We proposed several adjustments as a result of audit procedures, which have been submitted to management for review and approval. The attached journal entries were recorded by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 13, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis, Schedule of the Agency's Proportionate Share of the Net Pension Liability, Schedule of the Agency's Contributions and Schedule of the Changes in the Agency's Total OPEB Liability and Related Ratios, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the budgetary comparison schedule, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We would like to make the Agency aware of two new accounting pronouncements which have been issued and will impact the Agency in future years:

- The GASB has issued Statement No. 87, *Leases*, as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the objective of which is to improve financial reporting by improving accounting for leases by governments. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about a government's leasing activities. The requirements of this Statement are currently effective for the Agency's 2022 year.

To the Board of Directors
Town of Hempstead Industrial Development Agency
March 13, 2021
Page 4

- The GASB has issued Statement No. 91, *Conduit Debt Obligations*, as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the issuer, establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations, and improving required note disclosures. The requirements of this Statement are currently effective for the Agency's 2022 year.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of Town of Hempstead Industrial Development Agency and is not intended to be, and should not be, used by anyone other than these specified parties.

Sheehan & Company CPA, P.C

Brightwaters, New York
March 13, 2021

Town of Hempstead Industrial Development Agency
Adjusting Journal Entries
December 31, 2020

	Debit	Credit
<u>Adjusting Entry #1:</u>		
To reverse prior year deferred outflows and inflows.		
Dr: Net pension liability - proportionate share	\$143,794	
Dr: Deferred inflows of resources - difference between expected and actual	\$ 4,749	
Dr: Deferred inflows of resources - change in proportion and difference between employer contribution and proportionate share	\$ 7,465	
Dr: Deferred inflows of resources - net difference between projected and actual investment earnings on pension plan investments	\$ 18,158	
Cr: Net pension liability - proportionate share		\$ 30,372
Cr: Deferred outflows of resources - change in proportion and differences between Agency contributions and proportionate share		\$ 112,079
Cr: Deferred outflows of resources - difference between expected and actual		\$ 13,932
Cr: Deferred outflows of resources - change in assumptions		\$ 17,783

Adjusting Entry #2:

To adjust net pension liability - proportionate share for current year contributions.

Dr: Net pension liability - proportionate share	\$51,886	
Cr: Pension expense		\$51,886

Adjusting Entry #3:

To record current year pension expense per the NYSLRS GASB 68 report.

Dr: Pension expense - proportionate share	\$ 130,950	
Cr: Net pension liability - proportionate share		\$ 130,950

Town of Hempstead Industrial Development Agency
Adjusting Journal Entries
December 31, 2020
Page 2

	Debit	Credit
<u>Adjusting Entry #4:</u>		
To record current year deferred outflows per the NYSLRS GASB 68 report.		
Dr: Deferred outflows of resources - change in proportion and differences between Agency contributions and proportionate share	\$ 78,519	
Dr: Deferred outflows of resources – net difference between projected and actual investment earnings	\$ 130,971	
Dr: Deferred outflows of resources - difference between expected and actual	\$ 15,036	
Dr. Deferred outflows of resources - changes in assumptions	\$ 5,144	
Cr: Net pension liability - proportionate share		\$229,670
<u>Adjusting Entry #5:</u>		
To record current year deferred inflows per the NYSLRS GASB 68 report.		
Dr: Net pension liability - proportionate share	\$ 10,581	
Cr. Deferred inflows of resources - change in proportion and difference between employer contribution and proportionate share		\$ 6,139
Cr. Deferred inflows of resources - change in assumptions		\$ 4,442
<u>Adjusting Entry #6:</u>		
To record current year deferred outflows and related expense per GASB 75.		
Dr: Post-retirement health benefits expense	\$ 82,800	
Dr: Deferred outflows of resources - difference between expected and actual (OPEB)	\$ 23,405	
Dr. Deferred outflows of resources - changes in assumptions	\$ 269,519	
Cr: Health insurance		\$ 432
Cr: Postretirement health benefits liability		\$ 375,292

**Town of Hempstead Industrial
Development Agency**

**SCHEDULE OF INVESTMENTS
WITH INDEPENDENT AUDITOR'S REPORT**

December 31, 2020

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
SCHEDULE OF INVESTMENTS	3
NOTES TO SCHEDULE OF INVESTMENTS	4
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER REPORTING ON THE SCHEDULE OF INVESTMENTS AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE SCHEDULE OF INVESTMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	7



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

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

A PROFESSIONAL CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

www.sheehancpa.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Schedule of Investments

We have audited the accompanying Schedule of Investments (the Schedule) of the Town of Hempstead Industrial Development Agency (the Agency), a component unit of the Town of Hempstead, New York, as of December 31, 2020 and the related notes to the Schedule.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of the Schedule 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 the Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, 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 Schedule.

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

To the Board of Directors
Town of Hempstead Industrial Development Agency

Opinion

In our opinion, the Schedule referred to above presents fairly, in all material respects, the investments of the Agency as of December 31, 2020 in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have audited, 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, the financial statements of the Agency as of and for the year ended December 31, 2020 and our report thereon, dated March 13, 2021, expressed an unmodified opinion on those financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated March 13, 2021 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 with respect to the Schedule. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance with respect to the Schedule.

Sheehan & Company CPA, P.C.

Brightwaters, New York
March 13, 2021

Town of Hempstead Industrial Development Agency

SCHEDULE OF INVESTMENTS

December 31, 2020

Cash and cash equivalents	<u>\$ 15,572,111</u>
Total investments	<u><u>\$ 15,572,111</u></u>

See accompanying notes

-3-

Town of Hempstead Industrial Development Agency

NOTES TO SCHEDULE OF INVESTMENTS

1. Background and organization:

The Town of Hempstead Industrial Development Agency (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. The Agency is a component unit of the Town of Hempstead. At December 31, 2020, six of the seven positions were filled and one Board of Director position was vacant.

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.

2. Summary of significant accounting policies:

Cash, cash equivalents and investments:

The statutes of the State of New York govern the Agency's investment policies. Agency monies must be deposited in banks and trust companies authorized for the deposit of monies by the Town of Hempstead. The Agency's Board of Director's responsibility for administration of the investment program is delegated to the Chief Executive Officer pursuant to resolution.

The Chief Executive Officer is authorized to invest monies not required for immediate expenditure. Permissible investments include:

- Special time deposit accounts.
- Certificates of deposit.

Town of Hempstead Industrial Development Agency

NOTES TO SCHEDULE OF INVESTMENTS

2. Summary of significant accounting policies (continued):

Cash, cash equivalents and investments (continued):

- 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.
- Obligations of the State of New York.

All deposits, including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act must be secured by a pledge of eligible securities which may include irrevocable letters of credit or surety bonds as well as those securities as authorized pursuant to the General Municipal Law with an aggregate market value or provided by General Municipal Law. Eligible securities used for collateralizing deposits are to be held by the bank or trust company pursuant to security and custodial agreements.

There are no investments held by the Agency at December 31, 2020. There were no investment fees or commissions paid during the year ended December 31, 2020.

Custodial credit risk - deposits/investments - Custodial credit risk for investments exist when, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

Deposits are required to 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, 2020, the Agency's bank balances totaled \$15,580,474. This amount is exclusive of petty cash of \$64. Of the bank balances, \$500,000 was covered by federal deposit insurance and \$15,080,474 was secured by collateral held by the pledging financial institution's agent, a third-party financial institution, but not in the Agency's name.

Credit risk - State law limits investments to those authorized by State statutes. The Agency has a written investment policy.

Town of Hempstead Industrial Development Agency

NOTES TO SCHEDULE OF INVESTMENTS

2. Summary of significant accounting policies (continued):

Cash, cash equivalents and investments (continued):

Interest-rate risk - Interest-rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase, thereby, affording potential purchasers more favorable rates on essentially equivalent securities. Accordingly, such investments would have to be held to maturity to avoid a potential loss.

Concentration of credit risk - Credit risk can arise as a result of failure to adequately diversify investments. Concentration risk disclosure is required for positions of 5% or more in securities of a single issuer.

At December 31, 2020, the Agency did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk.

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

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

We have audited, 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, the Schedule of Investments of the Town of Hempstead Industrial Development Agency (the Agency), a component unit of the Town of Hempstead, New York, as of December 31, 2020 and the related notes to the Schedule of Investments and have issued our report thereon dated March 13, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the Schedule of Investments, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule of Investments, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency'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 Schedule of Investments is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and investment policies as required by Section 2925 of the Public Authorities Law (PAL), non-compliance with which could have a direct and material effect on the determination of Schedule of Investments 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 non-compliance 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 Agency's internal control or on compliance with respect to the Schedule of Investments. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance with respect with the Schedule of Investments. Accordingly, this communication is not suitable for any other purpose.

Sheehan & Company CPA, P.C

Brightwaters, New York
March 13, 2021

**Town of Hempstead
Industrial Development Agency**

FINANCIAL REPORT

December 31, 2020 and 2019

**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), a component unit of the Town of Hempstead, New York, financial performance provides an overview of the Agency's financial activities for the fiscal years ended December 31, 2020 and December 31, 2019. Please read this in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights - 2020:

- The assets and deferred outflows of resources of the Agency exceeded its liabilities and deferred inflows of resources at December 31, 2020 by \$2,464,650.
- The Agency's total assets increased by \$6,652,880 in the year 2020. Total deferred outflows of resources increased by \$378,800. The Agency's total liabilities increased by \$6,898,843 in the year 2020. Total deferred inflows of resources decreased by \$19,791.
- As of the close of the current year, the Agency reported net position of \$2,464,650, an increase of \$152,628 from the December 31, 2019 net position.

Financial Highlights - 2019:

- The assets and deferred outflows of resources of the Agency exceeded its liabilities and deferred inflows of resources at December 31, 2019 by \$2,312,022.
- The Agency's total assets decreased by \$6,032,749 in the year 2019. Total deferred outflows of resources increased by \$55,899. The Agency's total liabilities increased by \$5,946,425 in the year 2019. Total deferred inflows of resources decreased by \$85,802.
- As of the close of 2019, the Agency reported net position of \$2,312,022, an increase of \$115,627 from the December 31, 2018 net position.

Basic Financial Statements:

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

Town of Hempstead Industrial Development Agency

MANAGEMENT'S DISCUSSION AND ANALYSIS

Basic Financial Statements (continued):

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

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

Condensed Comparative Financial Statements - 2020:

Condensed Statements of Net Position at December 31,

	<u>2020</u>	<u>2019</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current assets	\$15,585,599	\$8,926,293	\$6,659,306	74.60
Property and equipment	<u>18,700</u>	<u>25,126</u>	<u>(6,426)</u>	(25.58)
Total assets	<u>15,604,299</u>	<u>8,951,419</u>	<u>6,652,880</u>	74.32
Deferred outflows of resources	<u>522,594</u>	<u>143,794</u>	<u>378,800</u>	263.43
Current liabilities	12,160,269	5,830,396	6,329,873	108.57
Long-term liabilities	<u>1,491,393</u>	<u>922,423</u>	<u>568,970</u>	61.68
Total liabilities	<u>13,651,662</u>	<u>6,752,819</u>	<u>6,898,843</u>	102.16

Town of Hempstead Industrial Development Agency

MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Comparative Financial Statements - 2020 (continued):

Condensed Statements of Net Position at December 31, (continued)

	<u>2020</u>	<u>2019</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Deferred inflows of resources	10,581	30,372	(19,791)	(65.16)
Net position:				
Net investment in capital assets	18,700	25,126	(6,426)	(25.58)
Unrestricted	2,445,950	2,286,896	159,054	6.96
Total net position	<u>\$2,464,650</u>	<u>\$2,312,022</u>	<u>\$152,628</u>	6.60

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

	<u>2020</u>	<u>2019</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Total operating revenues	\$ 973,595	\$ 876,572	\$ 97,023	11.07
Total operating expenses	861,465	811,133	50,332	6.21
Operating income	112,130	65,439	46,691	71.35
Non-operating income	40,498	50,188	(9,690)	(19.31)
Change in net position	<u>\$ 152,628</u>	<u>\$ 115,627</u>	<u>\$ 37,001</u>	32.00

Analysis of Net Position and Results of Operations - 2020:

- Total assets increased by \$6,652,880. This is a result of an increase in cash and cash equivalents of \$6,666,577 from the prior year and a decrease in fees and other receivables of \$7,271 from the prior year. The increase in cash and cash equivalents is primarily a result of receipt of payments in lieu of taxes (PILOT) funds near year end which were not remitted until after December 31, 2020. The Agency reports a liability of \$12,151,994 related to these payments at December 31, 2020.
- The Agency's 2020 net position increased by \$152,628 from the 2019 net position.
- Deferred outflows of resources and deferred inflows of resources changed as a result of the recording of the Agency's share of the net pension liability related to the Agency's participation in the New York State and Local Employees' Retirement System as well as the liability for post-employment health benefits, as actuarially determined.

Town of Hempstead Industrial Development Agency

MANAGEMENT'S DISCUSSION AND ANALYSIS

Analysis of Net Position and Results of Operations - 2020 (continued):

- The Agency did not acquire any new property and equipment during 2020.
- The Agency received \$18,285 of reimbursement for shared expenses, including rent and supplies, from the Town of Hempstead Local Development Corporation.
- The Agency's post-employment health benefits liability increased by \$375,292. In the prior year, the Agency utilized the alternative measurement method (AMM) to calculate its post-employment health benefits liability, which is similar to an actuarial valuation but with simplifications for several assumptions. The 2020 post-employment health benefits liability was calculated using a full actuarial valuation.
- During 2020 office and related expenses were higher than 2019 as a result of increased worker's compensation insurance.
- During 2020 meetings and travel expense increased due to the use of transcription services to document the Agency's virtual Board of Director meetings held, as a result of the coronavirus pandemic.

Budgetary Analysis - 2020:

- Fees for services were higher than the final budget by \$265,695. There were eleven project closings, including refinances, during the year, in addition to other fees collected for existing agreements, compared to seven project closings in prior year. Total expenses exceeded the final budget by \$143,565.

Condensed Comparative Financial Statements - 2019:

Condensed Statements of Net Position at December 31,

	<u>2019</u>	<u>2018</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current assets	\$8,926,293	\$2,885,504	\$6,040,789	209.35
Property and equipment	<u>25,126</u>	<u>33,166</u>	<u>(8,040)</u>	(24.24)
Total assets	<u>8,951,419</u>	<u>2,918,670</u>	<u>6,032,749</u>	206.70
Deferred outflows of resources	<u>143,794</u>	<u>199,693</u>	<u>(55,899)</u>	(27.99)

Town of Hempstead Industrial Development Agency

MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Comparative Financial Statements - 2019 (continued):

Condensed Statements of Net Position at December 31, (continued)

	<u>2019</u>	<u>2018</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current liabilities	\$ 5,830,396	\$ 559	\$ 5,829,837	1,042,904.65
Long-term liabilities	<u>922,423</u>	<u>805,835</u>	<u>116,588</u>	14.47
Total liabilities	<u>6,752,819</u>	<u>806,394</u>	<u>5,946,425</u>	737.41
Deferred inflows of resources	<u>30,372</u>	<u>115,574</u>	<u>(85,202)</u>	(73.72)
Net position:				
Net investment in capital assets	25,126	33,166	(8,040)	(24.24)
Unrestricted	<u>2,286,896</u>	<u>2,163,229</u>	<u>123,667</u>	5.72
Total net position	<u>\$2,312,022</u>	<u>\$2,196,395</u>	<u>\$ 115,627</u>	5.26

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

	<u>2019</u>	<u>2018</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Total operating revenues	\$ 876,572	\$ 777,049	\$ 99,523	12.81
Total operating expenses	<u>811,133</u>	<u>912,588</u>	<u>(101,455)</u>	(11.12)
Operating income (loss)	65,439	(135,539)	200,978	148.28
Non-operating income	<u>50,188</u>	<u>15,079</u>	<u>35,109</u>	232.83
Change in net position	<u>\$ 115,627</u>	<u>\$ (120,460)</u>	<u>\$236,087</u>	195.99

Analysis of Net Position and Results of Operations - 2019:

- Total assets increased by \$6,032,749. This is a result of an increase in cash and cash equivalents of \$6,034,553 from the prior year and an increase in fees and other receivables of \$6,236 from the prior year, offset by a decrease in deferred outflows of resources. The increase in cash and cash equivalents is primarily a result of receipt of PILOT funds near year end which were not remitted until after December 31, 2019. The Agency reports a liability of \$5,824,784 related to these payments.
- The Agency's 2020 net position increased by \$115,627 from the 2018 net position.

Town of Hempstead Industrial Development Agency

MANAGEMENT'S DISCUSSION AND ANALYSIS

Analysis of Net Position and Results of Operations - 2019 (continued):

- Deferred outflows of resources and deferred inflows of resources changed as a result of the recording of the Agency's share of the net pension liability related to the Agency's participation in the New York State and Local Employees' Retirement System.
- The Agency did not acquire any new property and equipment during 2019.
- The Agency received \$18,571 of reimbursement for shared expenses, including rent and supplies, from the Town of Hempstead Local Development Corporation.
- In 2019, pension expense increased by \$14,566 and accounts payable and accrued expenses increased by \$5,053.
- The Agency reported net position of \$2,312,022 which is \$115,627 higher than in 2018.
- During 2019 salaries and payroll taxes were lower than 2018 as a result of retired employees working a reduced schedule.
- During 2019 interest income was higher than 2018 due to interest earned on PILOT funds received before those funds were remitted to the appropriate taxing authorities. This arrangement was effective as of October 1, 2018 when the Agency took control of its PILOT program.

Budgetary Analysis - 2019:

- Fees for services were higher than the final budget by \$106,572. There were seven project closings during the year, in addition to other fees collected for existing agreements, compared to five project closings in prior year. Total expenses exceeded the final budget by \$35,933.

Economic Factors and Next Year's Budget:

The Agency has budgeted revenues of \$767,350 and expenses of \$767,350 in the 2021 budget, an increase of \$49,450 in both estimated revenues and in estimated expenses from the final 2020 budget.

**Town of Hempstead
Industrial Development Agency**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Contacting the Agency's Financial Management:

This financial report is designed to provide readers with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town of Hempstead Industrial Development Agency at 350 Front Street, Hempstead, New York 11550 or at (516) 812-3134.

**Town of Hempstead
Industrial Development Agency**

**FINANCIAL STATEMENTS
AND
AUDITOR'S REPORT**

December 31, 2020 and 2019

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
STATEMENTS OF NET POSITION	4
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION.....	6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS.....	9
REQUIRED SUPPLEMENTARY INFORMATION:	
SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY.....	34
SCHEDULE OF THE AGENCY'S CONTRIBUTIONS	35
SCHEDULE OF THE CHANGES IN THE AGENCY'S TOTAL OPEB LIABILITY AND RELATED RATIOS	36
OTHER SUPPLEMENTARY INFORMATION:	
BUDGETARY COMPARISON SCHEDULES	37
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 <i>GOVERNMENT AUDITING STANDARDS</i>	39

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Town of Hempstead Industrial Development Agency (the Agency), a component unit of the Town of Hempstead, New York, as of and for the years ended December 31, 2020 and 2019 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 Agency'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 Agency'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.

To the Board of Directors
Town of Hempstead Industrial Development Agency

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, 2020 and 2019 and the respective changes in financial position and cash flows, thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Schedule of the Agency's Proportionate Share of the Net Pension Liability, Schedule of the Agency's Contributions and Schedule of the Changes in the Agency's Total OPEB Liability and Related Ratios on pages i through vii and 34 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules are the responsibility of management and were derived from and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to

To the Board of Directors
Town of Hempstead Industrial Development Agency

prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2021 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Sheehan & Company CPA, P.C.

Brightwaters, New York
March 13, 2021

**Town of Hempstead
Industrial Development Agency**

STATEMENTS OF NET POSITION

December 31, 2020 and 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 15,572,111	\$ 8,905,534
Fees receivable	4,500	11,500
Other receivable	8,988	9,259
Total current assets	<u>15,585,599</u>	<u>8,926,293</u>
Property and equipment:		
Furniture and equipment	144,924	144,924
Less accumulated depreciation	<u>126,224</u>	<u>119,798</u>
Property and equipment, net	<u>18,700</u>	<u>25,126</u>
Total assets	<u>15,604,299</u>	<u>8,951,419</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows - pension	229,670	143,794
Deferred outflows - OPEB	<u>292,924</u>	<u>-</u>
Total deferred outflows of resources	<u>522,594</u>	<u>143,794</u>
Total assets and deferred outflows of resources	<u>16,126,893</u>	<u>9,095,213</u>

See notes to financial statements

**Town of Hempstead
Industrial Development Agency**

STATEMENTS OF NET POSITION

December 31, 2020 and 2019

LIABILITIES

	<u>2020</u>	<u>2019</u>
Current liabilities:		
Accounts payable and accrued expenses	8,275	5,612
Due to local other governments (PILOT)	12,151,994	5,824,784
Total current liabilities	<u>12,160,269</u>	<u>5,830,396</u>
Long-term liabilities:		
Compensated absences	74,460	65,513
Post-employment health benefits	1,161,454	786,162
Net pension liability - proportionate share	255,479	70,748
Total long-term liabilities	<u>1,491,393</u>	<u>922,423</u>
Total liabilities	<u>13,651,662</u>	<u>6,752,819</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows - pension	<u>10,581</u>	<u>30,372</u>
Total deferred inflows of resources	<u>10,581</u>	<u>30,372</u>
 Total liabilities and deferred inflows of resources	 <u>13,662,243</u>	 <u>6,783,191</u>

NET POSITION

Net investment in capital assets	18,700	25,126
Unrestricted	<u>2,445,950</u>	<u>2,286,896</u>
Total net position	<u>\$ 2,464,650</u>	<u>\$ 2,312,022</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Fees for services	\$ 973,595	\$ 876,572
Total operating revenues	<u>973,595</u>	<u>876,572</u>
Operating expenses:		
Salaries	395,205	393,554
Payroll taxes	30,155	30,136
Pension expense	130,950	98,732
Compensated absences	8,947	16,966
Health insurance	88,761	91,180
Post-employment health benefits	82,800	63,286
Contractual and professional fees	60,125	67,999
Advertising	5,000	5,000
Rent	15,000	15,000
Office and related expenses	29,143	17,311
Meetings and travel	5,034	1,894
Dues and subscriptions	3,919	2,035
Depreciation	<u>6,426</u>	<u>8,040</u>
Total operating expenses	<u>861,465</u>	<u>811,133</u>
Operating income	<u>112,130</u>	<u>65,439</u>
Non-operating income:		
Interest income	<u>40,498</u>	<u>50,188</u>
Change in net position	152,628	115,627
Net position, January 1	<u>2,312,022</u>	<u>2,196,395</u>
Net position, December 31	<u>\$ 2,464,650</u>	<u>\$ 2,312,022</u>

See notes to financial statements

Town of Hempstead Industrial Development Agency

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received:		
From providing services	\$ 980,595	\$ 871,072
Cash payments:		
Contractual services	(167,173)	(213,587)
Personal services and employee benefits	<u>(514,553)</u>	<u>(497,904)</u>
Net cash provided by operating activities	<u>298,869</u>	<u>159,581</u>
Cash flows from non-capital financing activities:		
Cash received from payments in lieu of taxes and penalties	36,678,544	34,631,387
Cash paid for payments in lieu of taxes and penalties	<u>(30,351,334)</u>	<u>(28,806,603)</u>
Net cash provided by non-capital financing activities	<u>6,327,210</u>	<u>5,824,784</u>
Cash flows from investing activities:		
Interest income	<u>40,498</u>	<u>50,188</u>
Net cash provided by investing activities	<u>40,498</u>	<u>50,188</u>
Net increase in cash and cash equivalents	6,666,577	6,034,553
Cash and cash equivalents, January 1	<u>8,905,534</u>	<u>2,870,981</u>
Cash and cash equivalents, December 31	<u>\$ 15,572,111</u>	<u>\$ 8,905,534</u>

See notes to financial statements

Town of Hempstead Industrial Development Agency

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 112,130	\$ 65,439
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	6,426	8,040
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
(Increase) decrease in assets:		
Fees receivable	7,000	(5,500)
Other receivable	271	(736)
(Increase) decrease in deferred outflows of resources	(378,800)	55,899
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	2,663	5,053
Compensated absences	8,947	16,966
Post-employment health benefits	375,292	63,286
Net pension liability - proportionate share	184,731	36,336
Decrease in deferred inflows of resources	<u>(19,791)</u>	<u>(85,202)</u>
Total adjustments	<u>186,739</u>	<u>94,142</u>
Net cash provided by operating activities	<u>\$ 298,869</u>	<u>\$ 159,581</u>

See notes to financial statements

-8-

Town of Hempstead Industrial Development Agency

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies:

Financial reporting entity: The Town of Hempstead Industrial Development Agency (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. The Agency is a component unit of the Town of Hempstead. At December 31, 2020, six of the seven positions were filled and one Board of Director position was vacant.

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 financial statements of 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.

The Agency utilizes the accrual basis of accounting and the flow of all economic resources (measurement focus). The basis of accounting and measurement focus emphasize the measurement of operating income (loss) similar to the approach used by commercial enterprises and revenues are recorded when earned and expenses are recorded when incurred.

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 GAAP 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 No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement No. 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.

Fees receivable: Fees receivable represent amounts earned by the Agency but not yet collected at year end. Doubtful accounts are written off as they are deemed by management to be uncollectible. All receivables, as stated in the financial statements, are deemed by the Agency's management to be fully collectible and accordingly, no allowance for doubtful accounts has been recorded at December 31, 2020 and 2019.

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.

Due to local other governments (PILOT): Effective October 1, 2018 the Agency began billing and collecting payments in lieu of taxes (PILOT) from the project properties. Payments collected are not considered revenues to the Agency and are disbursed to the appropriate taxing jurisdictions. Due to local other governments (PILOT) consists of PILOT received that have been collected but not yet disbursed to the taxing jurisdictions. At December 31, 2020 and 2019 the balance due to other governments was \$12,151,994 and \$5,824,784, respectively.

Compensated absences: Agency employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave and unused compensatory absences at various rates subject to certain maximum limitations.

Town of Hempstead Industrial Development Agency

NOTES TO FINANCIAL STATEMENTS

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

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

Net position classifications: Net position is classified and displayed in three 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. At December 31, 2020 and 2019, the Agency has no balance in this classification.
- c. **Unrestricted net position:** All other balances in net position that do not meet the definition of "restricted" or "net investment in capital assets."

Revenue recognition: The Agency's primary sources of operating revenue are from application fees, administrative fees and compliance fees. Administrative fees are computed as a percentage of the total project. Fees are recorded as income when earned at the time of project closing.

Advertising: Advertising costs are charged to operations when incurred. Advertising costs for the years ended December 31, 2020 and 2019 were \$5,000 and \$5,000, respectively.

Recent accounting pronouncements: The Agency has adopted all of the current Statements of the Governmental Accounting Standards Board (GASB) that are applicable.

Subsequent events: Management has evaluated subsequent events through the date of the report, which is the date the financial statements were available to be issued.

Town of Hempstead Industrial Development Agency

NOTES TO FINANCIAL STATEMENTS

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 sub-division 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, 2020 and 2019, outstanding debt induced by the Agency and issued by other entities amounted to \$60,940,000 and \$69,400,000, 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 (PILOT) and funds due to municipalities:

Effective October 1, 2018, the Agency began directly receiving PILOT from the borrowing companies. These receipts are deposited into a separate Agency bank account and subsequently disbursed to the appropriate taxing jurisdictions. PILOT payments are not considered revenue by the Agency.

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 bank and trust companies authorized for the deposit of monies by the Town of Hempstead. The Agency's Board of Director's responsibility for administration of the investment program is delegated to the Chief Executive Officer pursuant to resolution.

Town of Hempstead Industrial Development Agency

NOTES TO FINANCIAL STATEMENTS

4. Cash and cash equivalents (continued):

The Chief Executive Officer 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. All deposits, including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act must be secured by a pledge of eligible securities which may include irrevocable letters of credit or surety bonds as well as those securities as authorized pursuant to the General Municipal Law with an aggregate market value or provided by General Municipal Law. Eligible securities used for collateralizing deposits are to be held by the bank or trust company pursuant to security and custodial agreements.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures - An Amendment of GASB Statement No. 3*, 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, 2020, the Agency's bank balances totaled \$15,580,474. This amount is exclusive of petty cash of \$64. Of the bank balances, \$500,000 was covered by federal deposit insurance and \$15,080,474 was secured by collateral held by the pledging financial institution's agent, a third-party financial institution, but not in the Agency's name.

At December 31, 2019, the Agency's bank balances totaled \$14,713,043. This amount is exclusive of petty cash of \$64. Of the bank balances, \$500,000 was covered by federal deposit insurance and \$14,213,043 was secured by collateral held by the pledging financial institution's agent, a third-party financial institution, but not in the Agency's name.

Town of Hempstead Industrial Development Agency

NOTES TO FINANCIAL STATEMENTS

5. Lease obligations:

The Agency leases its office space from the Town of Hempstead in the building located at 350 Front Street, Suite 240, Hempstead, New York. Annual rent paid is \$30,000. During the years ended December 31, 2020 and 2019, \$15,000 of rent payments were reimbursed each year by the Town of Hempstead Local Development Corporation, a related party (see Note 11). The Agency rent expense for the years ended December 31, 2020 and 2019 was \$15,000 and \$15,000, respectively. The Agency pays rent on a month-to-month basis.

6. Property and equipment:

Activity for property and equipment for the year ended December 31, 2020 is summarized as follows:

	<u>Balance December 31, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2020</u>
Equipment	\$ 19,807	\$ -	\$ -	\$ 19,807
Furniture and fixtures	26,703	-	-	26,703
Leasehold improvements	<u>98,414</u>	<u>-</u>	<u>-</u>	<u>98,414</u>
	144,924	-	-	144,924
Less accumulated depreciation	<u>(119,798)</u>	<u>(6,426)</u>	<u>-</u>	<u>(126,224)</u>
Property and equipment, net	<u>\$ 25,126</u>	<u>\$(6,426)</u>	<u>\$ -</u>	<u>\$ 18,700</u>

Activity for furniture and equipment for the year ended December 31, 2019 is summarized as follows:

	<u>Balance December 31, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2019</u>
Equipment	\$ 21,031	\$ -	\$ (1,224)	\$ 19,807
Furniture and fixtures	26,703	-	-	26,703
Leasehold improvements	<u>98,414</u>	<u>-</u>	<u>-</u>	<u>98,414</u>
	146,148	-	(1,224)	144,924
Less accumulated depreciation	<u>(112,982)</u>	<u>(8,040)</u>	<u>1,224</u>	<u>(119,798)</u>
Property and equipment, net	<u>\$ 33,166</u>	<u>\$(8,040)</u>	<u>\$ -</u>	<u>\$ 25,126</u>

Depreciation expense was \$6,426 and \$8,040 for the years ending December 31, 2020 and 2019.

Town of Hempstead Industrial Development Agency

NOTES TO FINANCIAL STATEMENTS

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. 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

Town of Hempstead Industrial Development Agency

NOTES TO FINANCIAL STATEMENTS

7. Pension plan (continued):

Benefits provided (continued):

Tiers 1 and 2 (continued)

Benefit calculation (continued):

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: Tiers 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 10 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 10 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 Tier 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.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have 10 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.

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

7. Pension plan (continued):

Benefits provided (continued):

Tier 6 (continued)

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 10 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 10 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 Tiers 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):

Benefits provided (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 10 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 ERS after July 27, 1976, who contribute 3% of their salary for the first 10 years of membership and employees who joined on or after January 1, 2010 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 System's 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:

<u>Year Ended December 31:</u>	<u>Amount</u>
2020	\$ 51,886
2019	91,699
2018	104,804

Town of Hempstead Industrial Development Agency

NOTES TO FINANCIAL STATEMENTS

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

Contributions (continued):

The Agency's 2021 invoice to the System for \$40,833 is due February 1, 2021 and was paid subsequent to year-end. In accordance with the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, 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 2021.

Chapter 57 of the Laws of 2013 of the State of New York, Part BB, amending several sections of the Retirement and Social Security Law, 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, 2020 and 2019, the Agency reported a liability of \$255,479 and \$70,748, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Agency's

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):

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, 2020 and 2019, the Agency's proportion was .0009648% and .0009985% respectively.

For the year ended December 31, 2020, the Agency recognized pension expense of \$130,950. At December 31, 2020, 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	\$ 15,036	\$ -
Changes of assumptions	5,144	4,442
Net difference between projected and actual earnings on pension plan investments	130,971	-
Changes in proportion and differences between Agency contributions and proportionate share of contributions	<u>78,519</u>	<u>6,139</u>
Total	<u>\$ 229,670</u>	<u>\$10,581</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>
2021	\$ 57,932
2022	61,193
2023	59,478
2024	40,485

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, 2019, the Agency recognized pension expense of \$98,732. At December 31, 2019, 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	\$ 13,932	\$ 4,749
Changes of assumptions	17,783	-
Net difference between projected and actual earnings on pension plan investments	-	18,158
Changes in proportion and differences between Agency contributions and proportionate share of contributions	112,079	7,465
Total	<u>\$ 143,794</u>	<u>\$ 30,372</u>

Actuarial assumptions: The total pension liability at March 31, 2020 was determined by using an actuarial valuation as of April 1, 2019, with update procedures used to roll forward the total pension liability to March 31, 2020. The total pension liability at March 31, 2019 was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019. The actuarial valuation used the following actuarial assumptions:

	<u>2020</u>	<u>2019</u>
Inflation	2.5%	2.5%
Salary increases	4.2%	4.2%
Investment rate of return (net of investment expense, including inflation)	6.8%	7.0%
Cost of living adjustments	1.3%	1.3%

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

7. Pension plan (continued):

Actuarial assumptions (continued):

Annuitant mortality rates for 2020 are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018. Annuitant mortality rates for 2019 are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2019 and 2018 valuations are based on the results of an actuarial experience study for the period April 1, 2010 through March 31, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The previous actuarial valuation as of April 1, 2018 used a long-term expected rate of return of 7.0%

The target allocations and best estimates of arithmetic real rates of return for each major asset class as of March 31, 2020 is summarized below:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocations</u>
Domestic equity	4.05%	36.00%
International equity	6.15%	14.00%
Private equity	6.75%	10.00%
Real estate	4.95%	10.00%
Absolute return strategies (1)	3.25%	2.00%
Opportunistic portfolio	4.65%	3.00%
Real assets	5.95%	3.00%
Bonds and mortgages	0.75%	17.00%
Cash	0.00%	1.00%
Inflation-indexed bonds	0.50%	4.00%
		<u>100.00%</u>

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

7. Pension plan (continued):

Actuarial assumptions (continued):

The target allocations and best estimates of arithmetic real rates of return for each major asset class as of March 31, 2019 is summarized below:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocations</u>
Domestic equity	4.55%	36.00%
International equity	6.35%	14.00%
Private equity	7.50%	10.00%
Real estate	5.55%	10.00%
Absolute return strategies (1)	3.75%	2.00%
Opportunistic portfolio	5.68%	3.00%
Real assets	5.29%	3.00%
Bonds and mortgages	1.31%	17.00%
Cash	(0.25)%	1.00%
Inflation-indexed bonds	1.25%	4.00%
		<u>100.00%</u>

The real rate of return is net of the long-term inflation assumption of 2.5% as of March 31, 2020 and 2019.

- (1) Excludes equity-oriented and long-only funds. For investment management purposes, these funds are included in domestic equity and international equity.

Discount rate: The discount rate used to calculate the total pension liability in 2020 and 2019 was 6.8% and 7.0%, respectively. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Town of Hempstead Industrial Development Agency

NOTES TO FINANCIAL STATEMENTS

7. Pension plan (continued):

Sensitivity of the proportionate share of the net pension liability to the discount rate assumption: The following presents the Agency's proportionate share of the 2020 and 2019 net pension liability calculated using the discount rate of 6.8% and 7.0%, respectively, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>2020</u>		
	1% Decrease <u>(5.8%)</u>	Assumption <u>(6.8%)</u>	1% Increase <u>(7.8%)</u>
Agency's proportionate share of the net pension liability	\$468,876	\$255,479	\$58,939
	<u>2019</u>		
	1% Decrease <u>(6.0%)</u>	Assumption <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
Agency's proportionate share of the net pension liability (asset)	\$309,324	\$70,748	\$(129,672)

Pension plan fiduciary net position: The components of the net pension liability of the employers as of March 31, 2020 and 2019, were as follows:

	(Dollars in Thousands)	
	<u>Employees' Retirement System</u>	
	<u>2020</u>	<u>2019</u>
Employers' total pension liability	\$ 194,596,261	\$ 189,803,429
Plan net position	<u>(168,115,682)</u>	<u>(182,718,124)</u>
Employers' net pension liability	<u>\$ 26,480,579</u>	<u>\$ 7,085,305</u>
Ratio of plan net position to the employers' total pension liability	86.4%	96.3%

**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, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Balance, January 1	\$ 65,513	\$ 48,547
Additions	<u>8,947</u>	<u>16,966</u>
Balance, December 31	<u>\$ 74,460</u>	<u>\$ 65,513</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 \$3,000 at the time of receiving a formal application for assistance, plus a \$500 expense deposit for Cost Benefit Analysis.

**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 \$25,000,000	0.6%
\$25,000,000 and over	0.1%

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

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

In addition to the late fees assessed for late PILOT payments that are payable to the taxing jurisdictions, the Agency will charge an additional 1.5% administrative late fee per month on the total amount due.

3. **Annual compliance fees:** The Agency charges an initial compliance fee of \$3,000 and an annual compliance fee of \$1,500 for the term of bonds or straight-lease. This non-refundable annual fee is paid in advance on the first day of each year. The fee covers the cost of annual reporting and monitoring of the transaction. The fee is subject to periodic review and can be adjusted at the discretion of the Agency.
4. **Agency Counsel's fee:** The fee for the 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. The fee structure may be adjusted for a special straight-lease only. For terminations, consents, second mortgages and other financings, The Agency Counsel shall bill at the prevailing hourly rate.
5. **Bond Counsel fee:** The applicant pays the Bond Counsel fee.

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

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

6. **Miscellaneous fees:**

	<u>Minimum Amount</u>
Extension of inducement	\$500
Document processing	\$1,000 - \$2,000
*Amendments, waivers, subordinate and collateral mortgage assignments, leases and sub-leases, etc.	\$750 - \$1,500
Termination fee	\$2,000
Consent, 2nd mortgages and other financings	Set by Board on a case to case basis
Cost benefit analysis	\$500
Specialized cost benefit analysis	\$7,000

Percentage of value

*Refinance bonds	0.600% plus applicable administrative fee
*Assumption of outstanding bonds	0.125% plus applicable administrative fee

* 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 (OPEB) plan:**

General information about the OPEB plan:

Plan description: During 2008, the Agency established a post-employment health insurance benefit plan (the Plan) for retired employees of the Agency. The plan is a single-employer defined benefit health insurance plan administered by the Agency. Financial activities of the plan are included in the financial statements of the Agency. The plan does not issue a separate financial report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits provided: The plan provides health insurance coverage to all eligible retirees and their eligible dependents.

Town of Hempstead Industrial Development Agency

NOTES TO FINANCIAL STATEMENTS

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

Eligibility: For a retiree to be eligible, he/she should have a minimum of 10 years of service with any public employer in the State of New York and have a minimum of five full years of service in the Agency.

Employees Covered by benefit terms:

Active employees fully eligible	2
Active employees not fully eligible	1
Retired participants	<u>1</u>
Total	<u>4</u>

Contributions: The plan is non-contributory for employees and retirees. The funding requirements of the plan will be met by contributions from the Agency. At December 31, 2020 and 2019, the plan was unfunded. The Agency is informally setting aside funds with the intention that they be applied toward this future liability.

Total OPEB liability:

The Agency qualifies to use the Alternative Measurement Method (AMM) without a full actuarial valuation. The AMM calculation process is similar to an actuarial valuation, but with simplifications of several assumptions permitted under GASB guidelines. The Agency obtained an AMM valuation as of December 31, 2018 and as permitted under GASB guidelines, update procedures were applied to the December 31, 2018 valuation to roll forward the total OPEB liability to December 31, 2019. The Agency obtained a full actuarial valuation to determine the OPEB liability as of December 31, 2020.

Assumptions and other inputs: The total OPEB liability in the December 31, 2020 valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.5%
Projected salary increases	3.0%
Mortality rates	Based on RP-2014 combined mortality tables for employees and healthy annuitants, projected generationally with scale MP-2019

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

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

Total OPEB liability (continued):

Assumptions and other inputs (continued)

Healthcare cost trend rates	5.1% annually, grading down .067% each year until reaching an ultimate rate of 4.7% annually
-----------------------------	--

Dental and vision cost trend rate	3.0% annually
-----------------------------------	---------------

The discount rate used to measure the total OPEB liability at December 31, 2020 was 2.5%. The discount rate is based on the yields available on 20-year General Obligation AA Bonds.

The total OPEB liability in the December 31, 2018 valuation and December 31, 2019 roll forward was determined using the following assumptions:

Discount rate	4.0%
Projected salary increases	3.0%
Mortality rates	Based on RP2000 Table for males and females, projected 18 years
Medical	4.6% for year 1, fluctuating to an ultimate rate of 4.7% in year 10
Pharmacy	7.6% for year 1, fluctuating to an ultimate rate of 4.7% in year 10
Dental	3.5% in year 1, decreasing to 3.0% for years 2 - 10
Vision	3.0%

The discount rate used to measure the total OPEB liability was 4.0%. The discount rate is based on the 20-year tax exempt municipal bond yield.

Town of Hempstead Industrial Development Agency

NOTES TO FINANCIAL STATEMENTS

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

Changes in the Total OPEB Liability:

	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 786,162	\$ 722,876
Changes for the year:		
Service cost	21,231	36,091
Interest cost	32,276	30,359
Changes in assumptions and other inputs	296,471	-
Benefit payments	(432)	-
Differences between expected and actual experience	<u>25,746</u>	<u>(3,164)</u>
	<u>375,292</u>	<u>63,286</u>
Balance at December 31	<u>\$1,161,454</u>	<u>\$786,162</u>

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability of the Agency, as well as what the Agency's OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate as of December 31, 2020 and 2019:

	1% Decrease <u>(1.5%)</u>	Current Discount Rate <u>(2.5%)</u>	1% Increase <u>(3.5%)</u>
2020	\$ 1,421,123	\$ 1,161,454	\$ 952,785
	1% Decrease <u>(3.0%)</u>	Current Discount Rate <u>(4.0%)</u>	1% Increase <u>(5.0%)</u>
2019	\$ 934,757	\$ 786,162	\$ 665,084

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate: The following presents the total OPEB liability of the Agency, as well as what the Agency's OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the baseline trend, as of December 31:

	Trend Rate -1%	Healthcare Cost Rate	Trend Rate +1%
2020	\$ 911,358	\$ 1,161,454	\$ 1,500,756
2019	\$ 630,912	\$ 786,162	\$ 986,312

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

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

Changes in the Total OPEB Liability (continued):

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended December 31, 2020, the Agency recognized OPEB expense of \$82,800. In addition, the Agency reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 23,405	\$ -
Changes of assumptions	<u>269,519</u>	<u>-</u>
Total	<u>\$ 292,924</u>	<u>\$ -</u>

The amounts reported as deferred outflows of resources will be amortized over future periods and recognized in pension expense as follows:

Year Ended December 31,

2021	\$ 29,293
2022	29,293
2023	29,293
2024	29,293
2025	29,293
Thereafter	<u>146,459</u>
	<u>\$292,924</u>

For the year ended December 31, 2019, the Agency recognized OPEB expense of \$63,286. There were no deferred inflows of resources or deferred outflows of resources reported as of December 31, 2019.

Town of Hempstead Industrial Development Agency

NOTES TO FINANCIAL STATEMENTS

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 Chief Executive Officer and Chief Financial Officer.

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, 2020 and 2019 were \$18,285 and \$18,571, respectively. At December 31, 2020 and 2019, the Agency had a receivable of \$8,988 and \$9,259, respectively, for amounts owed from the Corporation which is reflected on the Statements of Net Position as other receivable.

12. Abatements Recapture:

The Agency is empowered by its enabling legislation to grant various benefits in connection with qualifying projects it agrees to help finance, including granting exemptions from the imposition of sales and use taxes on purchases of materials and equipment for use in connection with a project. However, it is the policy of the Agency to grant benefits with respect to a qualifying project only in return for a commitment from the business receiving the Agency benefits to operate and maintain the project consistent with the term of the lease agreement or the life of the bonds. Failure to do so may result in financial penalties being imposed on the business in the form of a required recapture of benefits payment. The Agency would remit any applicable sales and use taxes recaptured to New York State and retains the local portion of the recapture of benefits payments, including any real property tax and mortgage recording tax benefits recaptured pro-rata basis for distribution to the local taxing jurisdictions. During the years ended December 31, 2020 and 2019, the Agency imposed a recapture of \$-0- and \$333,053, respectively, which was distributed to the state and local taxing jurisdictions as required.

13. Litigation:

The Agency is subject to various actions or claims arising from the normal conduct of its affairs. The ultimate outcomes cannot be determined at this time. Management does not believe that any such litigation, individually or in the aggregate, is likely to have a material adverse effect on the Agency's financial condition.

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

14. Coronavirus pandemic:

In March 2020, an outbreak of a new strain of Coronavirus, COVID-19, emerged as a pandemic in New York State and across the United States, leading to widespread business shutdowns and significant volatility in the financial markets. The coronavirus outbreak is still evolving. The ultimate extent of the pandemic's impact on the Agency will depend on future developments which are highly uncertain. Currently, management is unable to quantify the potential effects of the pandemic on operations and financial performance of the Agency.

15. New pronouncements:

The following statements have been issued by the GASB and are to be implemented in futures years, as applicable:

GASB Statement No. 87, *Leases*, as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the objective of which is to improve financial reporting by improving accounting for leases by governments. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about a government's leasing activities. The requirements of this Statement are currently effective for the Agency's 2022 year. The Agency is currently evaluating the impact of this pronouncement.

GASB Statement No. 91, *Conduit Debt Obligations*, as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the primary objectives of which are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the issuer, establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations and improving required note disclosures. The requirements of this Statement are currently effective for the Agency's 2022 year. The Agency is currently evaluating the impact of this pronouncement.

**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 Six Fiscal Years***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Agency's proportion of the net pension liability	0.0009648%	0.0009985%	0.0010663%	0.0010977%	0.0012890%	0.0013559%
Agency's proportionate share of the net pension liability	\$ 255,479	\$ 70,748	\$ 34,412	\$ 103,143	\$ 206,882	\$ 45,805
Agency's covered payroll	334,665	533,610	565,850	542,261	506,582	479,414
Agency's proportionate share of the net pension liability as a percentage of its covered payroll	76.3%	13.3%	6.1%	19.0%	40.8%	9.6%
Plan fiduciary net position as a percentage of the total pension liability	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%

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

**Town of Hempstead
Industrial Development Agency**

SCHEDULE OF THE AGENCY'S CONTRIBUTIONS

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 51,886	\$ 91,699	\$ 104,804	\$ 95,697	\$ 112,269	\$ 119,201
Contributions in relation to the contractually required contribution	<u>(51,886)</u>	<u>(91,699)</u>	<u>(104,804)</u>	<u>(95,697)</u>	<u>(112,269)</u>	<u>(119,201)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Agency's covered payroll	\$ 334,665	\$ 533,610	\$ 565,850	\$ 542,261	\$ 506,582	\$ 479,414
Contributions as a percentage of covered payroll	15.50%	17.18%	18.52%	17.65%	22.16%	24.86%

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

**Town of Hempstead
Industrial Development Agency**

**SCHEDULE OF THE CHANGES IN THE AGENCY'S TOTAL OPEB LIABILITY
AND RELATED RATIOS**

Last Three Fiscal Years

	<u>2020</u>	<u>2019**</u>	<u>2018**</u>
Total OPEB Liability:			
Service cost	\$ 21,231	\$ 36,091	\$ 36,091
Interest cost	32,276	30,359	22,438
Changes in assumptions and other inputs	296,471	-	-
Benefit payments	(432)	-	-
Differences between expected and actual experience	25,746	(3,164)	-
Net change in total OPEB liability	375,292	63,286	58,529
Total OPEB liability, beginning	786,162	722,876	664,347
Total OPEB liability, ending	<u>\$ 1,161,454</u>	<u>\$ 786,162</u>	<u>\$ 722,876</u>
Agency's covered payroll	190,524	437,835 *	437,835
Total OPEB liability as a percentage of covered employee payroll	609.61%	179.56%	165.10%

* Information not available as valuation update procedures were performed for the year ended December 31, 2019.

** Alternative Measurement Method (AMM) without a full actuarial valuation.

Town of Hempstead Industrial Development Agency

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2020

	<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	\$ 707,900	\$ 707,900	\$ 973,595	\$ 265,695
Interest income	<u>10,000</u>	<u>10,000</u>	<u>40,498</u>	<u>30,498</u>
Total revenues	<u>717,900</u>	<u>717,900</u>	<u>1,014,093</u>	<u>296,193</u>
Expenses:				
Salaries	351,000	351,000	395,205	(44,205)
Payroll taxes	39,000	39,000	30,155	8,845
Pension expense	90,000	81,780	130,950	(49,170)
Compensated absences	-	-	8,947	(8,947)
Health insurance	93,000	93,000	88,761	4,239
Post-employment health benefits	-	-	82,800	(82,800)
Contractual and professional fees	61,500	61,500	60,125	1,375
Advertising	6,000	6,000	5,000	1,000
Rent	30,000	30,000	15,000	15,000
Office and related expenses	28,300	35,729	29,143	6,586
Meetings and travel	7,500	7,872	5,034	2,838
Dues and subscriptions	3,500	3,919	3,919	-
Depreciation	<u>8,100</u>	<u>8,100</u>	<u>6,426</u>	<u>1,674</u>
Total expenses	<u>717,900</u>	<u>717,900</u>	<u>861,465</u>	<u>(143,565)</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,628</u>	<u>\$ 152,628</u>

Town of Hempstead Industrial Development Agency

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2019

	<u>Budgetary Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fees for services	\$ 736,800	\$ 770,000	\$ 876,572	\$ 106,572
Interest income	<u>3,500</u>	<u>3,500</u>	<u>50,188</u>	<u>46,688</u>
Total revenues	<u>740,300</u>	<u>773,500</u>	<u>926,760</u>	<u>153,260</u>
Expenses:				
Salaries	396,000	396,000	393,554	2,446
Payroll taxes	-	39,000	30,136	8,864
Pension expense	95,000	105,000	98,732	6,268
Compensated absences	-	-	16,966	(16,966)
Health insurance	72,000	91,200	91,180	20
Post-employment health benefits	-	-	63,286	(63,286)
Contractual and professional fees	112,000	66,000	67,999	(1,999)
Advertising	5,000	5,000	5,000	-
Rent	15,000	30,000	15,000	15,000
Office and related expenses	29,100	28,800	17,311	11,489
Meetings and travel	4,500	2,500	1,894	606
Dues and subscriptions	3,500	3,500	2,035	1,465
Depreciation	<u>8,200</u>	<u>8,200</u>	<u>8,040</u>	<u>160</u>
Total expenses	<u>740,300</u>	<u>775,200</u>	<u>811,133</u>	<u>(35,933)</u>
Excess (deficiency) of revenues				
over (under) expenses	<u>\$ -</u>	<u>\$ (1,700)</u>	<u>(A) \$ 115,627</u>	<u>\$ 117,327</u>

(A): During the year the Agency's final budget reflected utilization of \$1,700 of prior year unrestricted net position.

**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
Hempstead, New York

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), a component unit of the Town of Hempstead, New York, as of and for the year ended December 31, 2020 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 13, 2021.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency'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, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Sheehan & Company CPA, P.C.

Brightwaters, New York
March 13, 2021