

**TOWN OF HEMPSTEAD
INDUSTRIAL
DEVELOPMENT AGENCY**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
December 31, 2023 and 2022**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

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, 2023 and 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 5 through 10 and 39 through 41 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion 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. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The 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 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March XX, 2024 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.

Brightwaters, New York
March XX, 2024

REQUIRED SUPPLEMENTARY INFORMATION

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, 2023 and December 31, 2022. Please read this in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights - 2023:

- The assets and deferred outflows of resources of the Agency exceeded its liabilities and deferred inflows of resources at December 31, 2023, by \$3,792,121.
- The Agency's total assets increased by \$11,782,558 in the year 2023. Total deferred outflows of resources increased by \$447,068. The Agency's total liabilities increased by \$12,285,715 in the year 2023. Total deferred inflows of resources decreased by \$379,314.
- As of the close of the current year, the Agency reported net position of \$3,792,121, an increase of \$323,225 from the December 31, 2022, net position.

Financial Highlights - 2022:

- The assets and deferred outflows of resources of the Agency exceeded its liabilities and deferred inflows of resources at December 31, 2022, by \$3,468,896.
- The Agency's total assets decreased by \$730,497 in the year 2022. Total deferred outflows of resources decreased by \$19,616. The Agency's total liabilities decreased by \$1,313,324 in the year 2022. Total deferred inflows of resources increased by \$331,124.
- As of the close of 2022, the Agency reported net position of \$3,468,896, an increase of \$232,087 from the December 31, 2021, net position.

Basic Financial Statements:

- The financial statements presented herein include all of the activities of the Agency.
- The financial statements present the financial picture of the Agency. The Agency applies full accrual accounting methods as used by similar business activities in the private 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.

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Basic Financial Statements (continued):

- 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 - 2023:

Condensed Statements of Net Position at December 31,

	<u>2023</u>	<u>2022</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current assets	\$ 16,616,483	\$ 4,731,581	\$ 11,884,902	251.18
Property and equipment, net	7,660	7,464	196	2.63
Other long-term assets	-	102,540	(102,540)	(100.00)
 Total assets	 <u>16,624,143</u>	 <u>4,841,585</u>	 <u>11,782,558</u>	 243.36
 Deferred outflows of resources	 <u>1,237,263</u>	 <u>790,195</u>	 <u>447,068</u>	 56.58
 Current liabilities	 11,388,884	 22,227	 11,366,657	 51,138.96
Long-term liabilities	<u>2,322,816</u>	<u>1,403,758</u>	<u>919,058</u>	65.47
Total liabilities	<u>13,711,700</u>	<u>1,425,985</u>	<u>12,285,715</u>	861.56
 Deferred inflows of resources	 <u>357,585</u>	 <u>736,899</u>	 <u>(379,314)</u>	 (51.47)
 Net position:				
Net investment in capital assets	7,660	7,464	196	2.63
Unrestricted	<u>3,784,461</u>	<u>3,461,432</u>	<u>323,029</u>	9.33
Total net position	<u>\$ 3,792,121</u>	<u>\$ 3,468,896</u>	<u>\$ 323,225</u>	9.32

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Comparative Financial Statements - 2023 (continued):

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

	<u>2023</u>	<u>2022</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Total operating revenues	\$ 1,330,422	\$ 1,043,574	\$ 286,848	27.49
Total operating expenses	1,075,551	837,116	238,435	28.48
Operating income	254,871	206,458	48,413	23.45
Non-operating income	68,354	25,629	42,725	166.71
Change in net position	<u>\$ 323,225</u>	<u>\$ 232,087</u>	<u>\$ 91,138</u>	39.27

Analysis of Net Position and Results of Operations – 2023:

- Total assets increased by \$11,782,558. This is a result of an increase in cash and cash equivalents of \$11,862,565 from the prior year and an increase in fees and other receivables of \$22,337 from the prior year. These increases are offset by a decrease of \$102,540 in net pension asset - proportionate share, which is a liability of \$267,058 in the current year. The increase in cash and cash equivalents is primarily a result of the timing of PILOT disbursements at December 31, 2023, compared to 2022. The Agency reports a liability of \$11,387,055 related to these payments at December 31, 2023, as compared to a liability of \$47 at December 31, 2022.
- The Agency's 2023 net position increased by \$323,225 from the 2022 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 insurance benefits, as actuarially determined.
- The Agency acquired property and equipment in the amount of \$6,840 during 2023.
- The Agency received \$19,150 of reimbursement for shared expenses, including rent and supplies, from the Town of Hempstead Local Development Corporation.
- The Agency's post-employment health insurance benefits liability increased by \$640,000. The amount was determined based on an actuarial valuation.
- During 2023 interest income increased from the prior year.

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Budgetary Analysis - 2023:

- Fees for services were higher than the final budget by \$455,957. There were nine project closings, including refinances, during the year, in addition to other fees collected for existing agreements. Note that there were six project closings in the prior year. In addition, the average funding amount of the closed projects was higher in the current year than the prior year. Total expenses exceeded the final budget by \$171,086.

Condensed Comparative Financial Statements - 2022:

Condensed Statements of Net Position at December 31,

	2022	2021	Dollar Change	Percentage Change
Current assets	\$ 4,731,581	\$ 5,559,000	\$ (827,419)	(14.88)
Property and equipment, net	7,464	13,082	(5,618)	(42.94)
Other long-term assets	102,540	-	102,540	100.00
Total assets	4,841,585	5,572,082	(730,497)	(13.11)
Deferred outflows of resources	790,195	809,811	(19,616)	(2.42)
Current liabilities	22,227	1,195,402	(1,173,175)	(98.14)
Long-term liabilities	1,403,758	1,543,907	(140,149)	(9.08)
Total liabilities	1,425,985	2,739,309	(1,313,324)	(47.94)
Deferred inflows of resources	736,899	405,775	331,124	81.60
Net position:				
Net investment in capital assets	7,464	13,082	(5,618)	(42.94)
Unrestricted	3,461,432	3,223,727	237,705	7.37
Total net position	\$ 3,468,896	\$ 3,236,809	\$ 232,087	7.17

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

	2022	2021	Dollar Change	Percentage Change
Total operating revenues	\$ 1,043,574	\$ 1,603,192	\$ (559,618)	(34.91)
Total operating expenses	837,116	852,677	(15,561)	(1.82)
Operating income	206,458	750,515	(544,057)	(72.49)
Non-operating income	25,629	21,644	3,985	18.41
Change in net position	\$ 232,087	\$ 772,159	\$ (540,072)	(69.94)

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Analysis of Net Position and Results of Operations - 2022:

- Total assets decreased by \$730,497. This is a result of a decrease in cash and cash equivalents of \$799,626 from 2021 and a decrease in fees and other receivables of \$27,793 from 2021. These decreases are offset by an increase of \$102,540 in net pension asset - proportionate share, which was previously a liability in 2021. The decrease in cash and cash equivalents is primarily a result of the timing of PILOT disbursements at December 31, 2022 compared to 2021. The Agency reports a liability of \$47 related to these payments at December 31, 2022, as compared to a liability of \$1,194,055 at December 31, 2021.
- The Agency's 2022 net position increased by \$232,087 from the 2021 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 insurance benefits, as actuarially determined.
- The Agency did not acquire any new property and equipment during 2022.
- The Agency received \$18,897 of reimbursement for shared expenses, including rent and supplies, from the Town of Hempstead Local Development Corporation.
- The Agency's post-employment health insurance benefits liability decreased by \$150,652. The amount was determined based on an actuarial valuation.
- During 2022 interest income increased from the prior year.

Budgetary Analysis - 2022:

- Fees for services were higher than the final budget by \$211,724. There were six project closings, including refinances, during 2022, in addition to other fees collected for existing agreements. Note that there were eleven project closings in 2021, however, the amount of funds closed in 2022 per project averaged higher. Total expenses exceeded the final budget by \$266.

Economic Factors and Next Year's Budget:

The Agency has budgeted revenues of \$950,625 and expenses of \$950,625 in the 2024 budget, an increase of \$71,160 in estimated revenues and \$46,160 in estimated expenses from the final 2023 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.

BASIC FINANCIAL STATEMENTS

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF NET POSITION December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 16,573,766	\$ 4,711,201
Fees receivable	33,173	10,934
Other receivable	9,544	9,446
Total current assets	<u>16,616,483</u>	<u>4,731,581</u>
Long-term assets:		
Property and equipment:		
Furniture and equipment	151,764	144,924
Less: accumulated depreciation	<u>144,104</u>	<u>137,460</u>
Property and equipment, net	<u>7,660</u>	<u>7,464</u>
Other assets:		
Net pension asset - proportionate share	<u>-</u>	<u>102,540</u>
Total long-term assets	<u>7,660</u>	<u>110,004</u>
Total assets	<u>16,624,143</u>	<u>4,841,585</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension	183,687	213,674
Deferred outflows - OPEB	<u>1,053,576</u>	<u>576,521</u>
Total deferred outflows of resources	<u>1,237,263</u>	<u>790,195</u>

See notes to financial statements

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF NET POSITION

December 31, 2023 and 2022

	2023	2022
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,829	\$ 22,180
Due to local other governments (PILOT)	11,387,055	47
Total current liabilities	<u>11,388,884</u>	<u>22,227</u>
Long-term liabilities:		
Compensated absences	115,824	103,824
Post-employment health insurance benefits	1,939,934	1,299,934
Net pension liability - proportionate share	267,058	-
Total long-term liabilities	<u>2,322,816</u>	<u>1,403,758</u>
Total liabilities	<u>13,711,700</u>	<u>1,425,985</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension	19,787	361,201
Deferred inflows - OPEB	337,798	375,698
Total deferred inflows of resources	<u>357,585</u>	<u>736,899</u>
NET POSITION		
Net investment in capital assets	7,660	7,464
Unrestricted	<u>3,784,461</u>	<u>3,461,432</u>
Total net position	<u>\$ 3,792,121</u>	<u>\$ 3,468,896</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, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Fees for services	\$ 1,330,422	\$ 1,043,574
Total operating revenues	<u>1,330,422</u>	<u>1,043,574</u>
Operating expenses:		
Salaries	510,765	407,629
Payroll taxes	40,830	32,020
Pension expense	110,871	31,907
Compensated absences	12,000	11,745
Health insurance	74,177	100,827
Post-employment health insurance benefits	166,903	115,473
Contractual and professional fees	94,960	59,300
Advertising	5,000	15,000
Rent	15,000	15,000
Office and related expenses	32,049	31,320
Meetings and travel	2,512	7,827
Dues and subscriptions	3,840	3,450
Depreciation	<u>6,644</u>	<u>5,618</u>
Total operating expenses	<u>1,075,551</u>	<u>837,116</u>
Operating income	<u>254,871</u>	<u>206,458</u>
Non-operating income:		
Interest income	<u>68,354</u>	<u>25,629</u>
Change in net position	323,225	232,087
Net position, January 1	<u>3,468,896</u>	<u>3,236,809</u>
Net position, December 31	<u>\$ 3,792,121</u>	<u>\$ 3,468,896</u>

See notes to financial statements

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received:		
From providing services	\$ 1,308,183	\$ 1,070,714
Cash payments:		
Contractual services	(173,029)	(159,553)
Personal services and employee benefits	(721,111)	(542,408)
Net cash provided by operating activities	<u>414,043</u>	<u>368,753</u>
Cash flows from non-capital financing activities:		
Cash received from payments in lieu of taxes and penalties	52,521,355	39,342,433
Cash paid for payments in lieu of taxes and penalties	<u>(41,134,347)</u>	<u>(40,536,441)</u>
Net cash provided (used) by non-capital financing activities	<u>11,387,008</u>	<u>(1,194,008)</u>
Cash flows from capital and related financing activities:		
Acquisition of furniture and fixtures	<u>(6,840)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(6,840)</u>	<u>-</u>
Cash flows from investing activities:		
Interest income	<u>68,354</u>	<u>25,629</u>
Net cash provided by investing activities	<u>68,354</u>	<u>25,629</u>
Net change in cash and cash equivalents	11,862,565	(799,626)
Cash and cash equivalents, January 1	<u>4,711,201</u>	<u>5,510,827</u>
Cash and cash equivalents, December 31	<u>\$ 16,573,766</u>	<u>\$ 4,711,201</u>

See notes to financial statements

**TOWN OF HEMPSTEAD
INDUSTRIAL DEVELOPMENT AGENCY**

**STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 254,871	\$ 206,458
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	6,644	5,618
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
(Increase) decrease in assets:		
Fees receivable	(22,239)	27,140
Other receivable	(98)	653
(Increase) decrease in deferred outflows of resources	(447,068)	19,616
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(20,351)	20,833
Compensated absences	12,000	11,745
Post-employment health insurance benefits	640,000	(150,652)
Net pension asset/liability - proportionate share	369,598	(103,782)
Increase (decrease) in deferred inflows of resources	(379,314)	331,124
 Total adjustments	 <u>159,172</u>	 <u>162,295</u>
 Net cash provided by operating activities	 <u>\$ 414,043</u>	 <u>\$ 368,753</u>

See notes to financial statements

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 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.

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 resource's measurement focus. The basis of accounting and measurement focus emphasize the measurement of operating income (loss) similar to the approach used by commercial enterprises. Revenues are recorded when earned and expenses are recorded when incurred.

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. The Agency's results are affected by economic, political, legislative, regulatory, and legal actions. Economic conditions, such as recessionary

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Use of estimates (continued):

trends, inflation, interest and monetary exchange rates, and government fiscal policies can have a significant impact on the Agency's operations. These factors and other events may cause actual results to differ from management's 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.

Receivables: 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. Other receivables represent amounts owed to the Agency from a related party. 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, 2023 and 2022.

Property and equipment: Property and equipment are stated at cost and are 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, 2023 and 2022, the balance due to local other governments (PILOT) was \$11,387,055 and \$47, 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, 2023 and 2022, 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."

Given the possibility of a lengthy period elapsing before project fees are realized, the Agency maintains a policy aimed at maintaining net position within minimum and maximum targets.

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, 2023 and 2022, were \$5,000 and \$15,000, respectively.

Recent accounting pronouncements: The Agency has adopted all of the current standards of the 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 transfers to the private-sector entity served by the bond issuance. The Agency has not provided any additional or voluntary commitments to support this debt service beyond the collateral, the payments from the private-sector entities, and the maintenance of the tax-exempt status of the conduit debt. 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, 2023 and 2022, outstanding debt induced by the Agency and issued by other entities amounted to \$56,765,000 and \$58,225,000, 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.

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.

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

4. Cash and Cash Equivalents (continued)

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, 2023, the Agency's bank balances totaled \$16,586,565. This amount was exclusive of petty cash of \$64. Of the bank balances, \$500,000 was covered by federal deposit insurance and \$16,086,565 was secured by collateral held by the pledging financial institution's agent, a third-party financial institution, but not in the Agency's name or covered by an irrevocable standby letter of credit issued by Federal Home Loan Bank of New York, which is held by the pledging financial institution.

At December 31, 2022, the Agency's bank balances totaled \$16,553,681. This amount was exclusive of petty cash of \$64. Of the bank balances, \$500,000 was covered by federal deposit insurance and \$16,053,681 was secured by collateral held by the pledging financial institution's agent, a third-party financial institution, but not in the Agency's name or covered by an irrevocable standby letter of credit issued by Federal Home Loan Bank of New York, which is held by the pledging financial institution.

5. Property and Equipment

Activity for property and equipment for the year ended December 31, 2023, is summarized as follows:

	Balance December 31, 2022	Additions	Deletions	Balance December 31, 2023
Equipment	\$ 19,807	\$ -	\$ -	\$ 19,807
Furniture and fixtures	26,703	6,840	-	33,543
Leasehold improvements	98,414	-	-	98,414
	144,924	6,840	-	151,764
Less: accumulated depreciation	(137,460)	(6,644)	-	(144,104)
Property and equipment, net	<u>\$ 7,464</u>	<u>\$ 196</u>	<u>\$ -</u>	<u>\$ 7,660</u>

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

5. Property and Equipment (continued)

Activity for property and equipment for the year ended December 31, 2022, is summarized as follows:

	Balance December 31, 2021	Additions	Deletions	Balance December 31, 2022
Equipment	\$ 19,807	\$ -	\$ -	\$ 19,807
Furniture and fixtures	26,703	-	-	26,703
Leasehold improvements	98,414	-	-	98,414
	144,924	-	-	144,924
Less: accumulated depreciation	(131,842)	(5,618)	-	(137,460)
Property and equipment, net	<u>\$ 13,082</u>	<u>\$ (5,618)</u>	<u>\$ -</u>	<u>\$ 7,464</u>

Depreciation expense was \$6,644 and \$5,618 for the years ending December 31, 2023 and 2022, respectively.

6. 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 ("SRSSL"). 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.

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

6. Pension Plan (continued)

Benefits provided (continued):

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 SRSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999, through October 1, 2000, received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

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

Tiers 3, 4, and 5

Eligibility: 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.

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

6. Pension Plan (continued)

Benefits provided (continued):

Tiers 3, 4, and 5 (continued)

Benefit calculation (continued):

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 five years of service and be at least age 55 to be eligible to collect a retirement benefit. The legislation mentioned previously changed the vesting requirements for Tier 6 members from ten to five years. The full benefit age for Tier 6 is 63 for ERS members.

Benefit calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75% of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2% of final average salary is applied for each year of service over 20 years. Tier 6 members with 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.

Disability Retirement Benefits

Disability retirement benefits are available to ERS members unable to perform their job duties because of permanent physical or mental incapacity. There are three general types of disability benefits: ordinary, performance of duty, and accidental disability benefits. Eligibility, benefit amounts, and other rules such as any offsets to other benefits depend on a members' tier, years of service, and plan.

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

6. Pension Plan (continued)

Benefits provided (continued):

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.

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: Tier 1 and 2 members do not have to contribute any of their salary to the System. Generally, however, Tier 3, 4, and 5 members contribute 3 percent of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the RSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

6. Pension Plan (continued)

Contributions (continued):

<u>Year Ended December 31:</u>	<u>Amount</u>
2023	\$ 53,481
2022	49,142
2021	40,833

The Agency's 2024 invoice to the System for \$62,019 is due February 1, 2024, 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 2024.

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.

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

6. Pension Plan (continued)

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions: At December 31, 2023 and 2022, the Agency reported a liability and an (asset) of \$267,058 and \$(102,540), respectively, for its proportionate share of the net pension liability/(asset). The net pension liability/(asset) was measured as of March 31, 2023 and 2022, respectively, and the total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of those dates. The Agency's proportion of the net pension liability/(asset) 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.

On March 31, 2023 and 2022, the Agency's proportion was .0012454% and .0012495% respectively.

For the year ended December 31, 2023, the Agency recognized pension expense of \$110,871. At December 31, 2023, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,444	\$ 7,500
Changes of assumptions	129,701	1,433
Net difference between projected and actual earnings on pension plan investments	-	1,569
Changes in proportion and differences between Agency contributions and proportionate share of contributions	25,542	9,285
Total	<u>\$ 183,687</u>	<u>\$ 19,787</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:

Year Ended March 31:	Amount
2024	\$ 42,565
2025	(8,997)
2026	55,313
2027	75,019

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

6. 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, 2022, the Agency recognized pension expense of \$31,907. At December 31, 2022, 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	\$ 7,735	\$ 10,033
Changes of assumptions	170,462	2,876
Net difference between projected and actual earnings on pension plan investments	-	334,468
Changes in proportion and differences between Agency contributions and proportionate share of contributions	35,477	13,824
Total	<u>\$ 213,674</u>	<u>\$ 361,201</u>

Actuarial assumptions: The total pension liability on March 31, 2023, was determined by using an actuarial valuation as of April 1, 2022, with update procedures used to roll forward the total pension liability to March 31, 2023. The total pension liability on March 31, 2022, was determined by using an actuarial valuation as of April 1, 2021, with update procedures used to roll forward the total pension liability to March 31, 2022. The actuarial valuations used the following actuarial assumptions:

	<u>2023</u>	<u>2022</u>
Inflation	2.9%	2.7%
Salary increases	4.4%	4.4%
Investment rate of return (net of investment expense, including inflation)	5.9%	5.9%
Cost of living adjustments	1.5%	1.4%

Annuitant mortality rates for 2023 are based on April 1, 2015, through April 1, 2020, System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2021. Annuitant mortality rates for 2022 are based on April 1, 2015, through March 31, 2020, System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020.

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

6. Pension Plan (continued)

Actuarial assumptions (continued):

The actuarial assumptions used in the April 1, 2022, valuation are based on the results of an actuarial experience study for the period April 1, 2015 - April 1, 2020.

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 of 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 target allocations and best estimates of arithmetic real rates of return for each major asset class as of March 31, 2023, is summarized below:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocations
Domestic equity	4.30%	32.00%
International equity	6.85%	15.00%
Private equity	7.50%	10.00%
Real estate	4.60%	9.00%
Opportunistic/Absolute Return Strategy	5.38%	3.00%
Credit	5.43%	4.00%
Real assets	5.84%	3.00%
Fixed income	1.50%	23.00%
Cash	0.00%	1.00%
		100.00%

The target allocations and best estimates of arithmetic real rates of return for each major asset class as of March 31, 2022, is summarized below:

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

6. Pension Plan (continued)

Actuarial assumptions (continued):

Asset Class	Long-Term Expected Real Rate of Return	Target Allocations
Domestic equity	3.30%	32.00%
International equity	5.85%	15.00%
Private equity	6.50%	10.00%
Real estate	5.00%	9.00%
Opportunistic/Absolute Return Strategy	4.10%	3.00%
Credit	3.78%	4.00%
Real assets	5.80%	3.00%
Fixed income	0.00%	23.00%
Cash	(1.00)%	1.00%
		100.00%

The real rate of return is net of the long-term inflation assumption of 2.5% as of March 31, 2023 and 2022.

Discount rate: The discount rate used to calculate the total pension liability in 2023 and 2022 was 5.9%. 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 those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to the discount rate assumption: The following presents the Agency's proportionate share of the 2023 and 2022 net pension liability calculated using the discount rate of 5.9%, as well as what the Agency's proportionate share of the net pension liability would be if it was calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

6. Pension Plan (continued)

	<u>1% Decrease (4.9%)</u>	<u>Assumption (5.9%)</u>	<u>1% Increase (6.9)%</u>
Agency's proportionate share of the net pension liability (asset):			
2023:	\$ 645,366	\$ 267,058	\$ (49,061)
2022:	\$ 262,909	\$ (102,540)	\$ (407,488)

Pension plan fiduciary net position: The components of the net pension (asset) liability of the employers as of March 31, 2023 and 2022, were as follows:

	(Dollars in Thousands)	
	Employees' Retirement System	
	<u>2023</u>	<u>2022</u>
Employers' total pension liability	\$ 232,627,259	\$ 223,874,888
Plan net position	(211,183,223)	(232,049,473)
Employers' net pension (asset) liability	<u>\$ 21,444,036</u>	<u>\$ (8,174,585)</u>

Ratio of plan net position to the employers' total pension liability	90.8%	103.7%
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7. 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.

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

7. Liability for Compensated Absences (continued)

The liability for compensated absences as of December 31, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Balance, January 1	\$ 103,824	\$ 92,079
Additions	12,000	11,745
Balance, December 31	<u>\$ 115,824</u>	<u>\$ 103,824</u>

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

8. 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:

- 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.
- 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.

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

8. Expenses and Fees for Bonds and Straight Leases (continued)

2. **Administrative fee (continued):** 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. **Bond Counsel fee:** The applicant pays the Bond Counsel fee.
4. **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.
5. **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.

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
Tenant Agency Compliance Agreements and Non-Disturbance Agreements	\$1,000
Cost-benefit analysis	\$500 per application
Basic cost-benefit analysis	\$2,500
Comprehensive cost-benefit analysis	\$7,000
Sales tax exemption extension	\$500

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

8. Expenses and Fees for Bonds and Straight Leases (continued)

6. Miscellaneous fees (continued):

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.

9. 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: All employees of the Agency are eligible. Health, dental, and vision insurance are provided. Benefits are provided at the later of retirement and attainment of age 55. The Plan is secondary to Medicare for participants on attainment of age 65. Spouses are covered for health insurance for the lifetime of the participant.

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:

	<u>2023</u>	<u>2022</u>
Active employees fully eligible	1	2
Active employees not fully eligible	2	2
Retired participants	2	1
Total	<u>5</u>	<u>5</u>

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

9. Post-Employment Health Insurance Benefit (OPEB) Plan (continued)

General information about the OPEB plan (continued):

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, 2023 and 2022, 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 obtained full actuarial valuations to determine the OPEB liability as of December 31, 2023 and December 31, 2022.

Assumptions and other inputs: The total OPEB liability in the December 31, 2023 and 2022, valuations was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.5% (2023 valuation) and 4.0% (2022 valuation)
Projected salary increases	3.0%
Mortality rates	2023 and 2022 Valuation: PRI-2012 mortality table for employee and healthy annuitants projected generationally with scale MP-2021.
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 on December 31, 2023 and December 31, 2022, was 3.5% and 4.0%, respectively. The discount rate is based on the yields available on 20-year General Obligation AA Municipal Bonds.

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

9. Post-Employment Health Insurance Benefit (OPEB) Plan (continued)

Changes in the Total OPEB Liability:

	2023	2022
Balance on January 1	\$ 1,299,934	\$ 1,450,586
Changes for the year:		
Service cost	31,458	50,027
Interest cost	53,199	37,491
Changes in assumptions and other inputs	378,507	(236,238)
Benefit payments	(41,858)	(432)
Differences between expected and actual experience	218,694	(1,500)
	<u>640,000</u>	<u>(150,652)</u>
Balance on December 31	<u>\$ 1,939,934</u>	<u>\$ 1,299,934</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 was 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:

	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
2023	\$ 2,343,657	\$ 1,939,934	\$ 1,618,886
	<u>1% Decrease (3.0%)</u>	<u>Current Discount Rate (4.0%)</u>	<u>1% Increase (5.0%)</u>
2022	\$ 1,577,473	\$ 1,299,934	\$ 1,077,834

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 was 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%
2023	\$ 1,579,878	\$ 1,939,934	\$ 2,415,786
2022	\$ 1,042,448	\$ 1,299,934	\$ 1,640,456

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

9. Post-Employment Health Insurance Benefit (OPEB) Plan (continued)

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

For the year ended December 31, 2023, the Agency recognized OPEB expense of \$166,903. 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	\$ 520,816	\$ -
Changes in assumptions and other inputs	532,760	337,798
Total	<u>\$ 1,053,576</u>	<u>\$ 337,798</u>

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

Year Ended December 31,

2024	\$ 82,246
2025	82,246
2026	82,246
2027	82,246
2028	82,246
Thereafter	304,548
	<u>\$ 715,778</u>

For the year ended December 31, 2022, the Agency recognized OPEB expense of \$115,473. 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	\$ 360,906	\$ -
Changes in assumptions and other inputs	215,615	375,698
Total	<u>\$ 576,521</u>	<u>\$ 375,698</u>

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

10. 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 and common Board of Director members.

The Agency is a component unit of the Town of Hempstead, New York. 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, 2023 and 2022, \$15,000 of rent payments were reimbursed each year by the Corporation. The Agency rent expense for the years ended December 31, 2023 and 2022, was \$15,000 and \$15,000, respectively. The Agency pays rent on a month-to-month basis.

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, 2023 and 2022, inclusive of rental payments, were \$19,150 and \$18,897, respectively. At December 31, 2023 and 2022, the Agency had a receivable of \$9,544 and \$9,446, respectively, for amounts owed from the Corporation, which is reflected on the Statements of Net Position as other receivables.

11. 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, 2023 and 2022, the Agency imposed a recapture of \$-0-.

12. 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

13. New Pronouncement

The following statement has been issued by the GASB to be implemented in a future year, as applicable:

GASB Statement No. 101, *Compensated Absences*, the objective of which is to update the recognition and measurement guidance for compensated absences. The requirements of this statement are effective for financial statements for the year ending December 31, 2024. The Agency is currently evaluating the impact of the above pronouncement.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**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 Nine Fiscal Years*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Agency's proportion of the net pension liability (asset)	0.0012454%	0.0012495%	0.0012497%	0.0009648%	0.0009985%	0.0010663%	0.0010977%	0.0012890%	0.0013559%
Agency's proportionate share of the net pension liability (asset)	\$ 267,058	\$ (102,540)	\$ 1,242	\$ 255,479	\$ 70,748	\$ 34,412	\$ 103,143	\$ 206,882	\$ 45,805
Agency's covered payroll	406,523	282,530	268,771	334,665	533,610	565,850	542,261	506,582	479,414
Agency's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	65.7%	-36.3%	0.5%	76.3%	13.3%	6.1%	19.0%	40.8%	9.6%
Plan fiduciary net position as a percentage of the total pension liability (asset)	90.8%	103.7%	99.9%	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 Nine Fiscal Years***

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 53,481	\$ 49,142	\$ 40,833	\$ 51,886	\$ 91,699	\$ 104,804	\$ 95,697	\$ 112,269	\$ 119,201
Contributions in relation to the contractually required contribution	(53,481)	(49,142)	(40,833)	(51,886)	(91,699)	(104,804)	(95,697)	(112,269)	(119,201)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Agency's covered payroll	\$ 406,523	\$ 282,530	\$ 268,771	\$ 334,665	\$ 533,610	\$ 565,850	\$ 542,261	\$ 506,582	\$ 479,414
Contributions as a percentage of covered payroll	13.16%	17.39%	15.19%	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 Six Fiscal Years

	2023	2022	2021	2020	2019**	2018**
Total OPEB Liability:						
Service cost	\$ 31,458	\$ 50,027	\$ 39,491	\$ 21,231	\$ 36,091	\$ 36,091
Interest cost	53,199	37,491	30,000	32,276	30,359	22,438
Changes in assumptions and other inputs	378,507	(236,238)	(36,273)	296,471	-	-
Benefit payments	(41,858)	(432)	(432)	(432)	-	-
Differences between expected and actual experience	218,694	(1,500)	256,346	25,746	(3,164)	-
Net change in total OPEB liability	640,000	(150,652)	289,132	375,292	63,286	58,529
Total OPEB liability, beginning	1,299,934	1,450,586	1,161,454	786,162	722,876	664,347
Total OPEB liability, ending	<u>\$ 1,939,934</u>	<u>\$ 1,299,934</u>	<u>\$ 1,450,586</u>	<u>\$ 1,161,454</u>	<u>\$ 786,162</u>	<u>\$ 722,876</u>

Agency's covered payroll

312,574

303,106

277,566

190,524

437,835 *

437,835

Total OPEB liability as a percentage of covered employee payroll

620.63%

428.87%

522.61%

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.

**OTHER SUPPLEMENTARY
INFORMATION**

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE For the Year Ended December 31, 2023

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fees for services	\$ 877,550	\$ 874,465	\$ 1,330,422	\$ 455,957
Interest income	5,000	5,000	68,354	63,354
Total revenues	882,550	879,465	1,398,776	519,311
Expenses:				
Salaries	503,520	497,070	510,765	(13,695)
Payroll taxes	55,280	55,230	40,830	14,400
Pension expense	40,000	53,490	110,871	(57,381)
Compensated absences	-	-	12,000	(12,000)
Health insurance	140,000	116,500	74,177	42,323
Post-employment health benefits	-	-	166,903	(166,903)
Contractual and professional fees	66,500	95,000	94,960	40
Advertising	10,000	6,915	5,000	1,915
Rent	30,000	23,570	15,000	8,570
Office and related expenses	40,800	40,240	32,049	8,191
Meetings and travel	11,750	6,750	2,512	4,238
Dues and subscriptions	4,000	4,000	3,840	160
Depreciation	5,700	5,700	6,644	(944)
Total expenses	907,550	904,465	1,075,551	(171,086)
Excess (deficiency) of revenues over (under) expenses	\$ (25,000)	\$ (25,000) (A)	\$ 323,225	\$ 348,225

(A): The Agency's original and final budget reflected utilization of \$25,000 of prior year unrestricted net position.

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE For the Year Ended December 31, 2022

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fees for services	\$ 831,850	\$ 831,850	\$ 1,043,574	\$ 211,724
Interest income	5,000	5,000	25,629	20,629
Total revenues	836,850	836,850	1,069,203	232,353
Expenses:				
Salaries	396,300	396,300	407,629	(11,329)
Payroll taxes	40,000	40,000	32,020	7,980
Pension expense	55,000	55,000	31,907	23,093
Compensated absences	-	-	11,745	(11,745)
Health insurance	97,000	102,800	100,827	1,973
Post-employment health benefits	-	-	115,473	(115,473)
Contractual and professional fees	66,000	66,000	59,300	6,700
Intergovernmental compliance	80,000	67,700	-	67,700
Advertising	8,500	15,000	15,000	-
Rent	30,000	30,000	15,000	15,000
Office and related expenses	40,600	40,600	31,320	9,280
Meetings and travel	13,750	13,750	7,827	5,923
Dues and subscriptions	4,000	4,000	3,450	550
Depreciation	5,700	5,700	5,618	82
Total expenses	836,850	836,850	837,116	(266)
Excess (deficiency) of revenues over (under) expenses	\$ -	\$ -	\$ 232,087	\$ 232,087

INTERNAL CONTROL

**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, 2023, 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 XX, 2024.

Report on 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") as a basis for designing 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 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.

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

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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Brightwaters, New York
March XX, 2024



**TOWN OF HEMPSTEAD
INDUSTRIAL DEVELOPMENT AGENCY**

**SCHEDULE OF CASH, CASH EQUIVALENTS,
AND INVESTMENTS
WITH INDEPENDENT AUDITOR'S REPORT
December 31, 2023**

DRAFT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Schedule of Cash, Cash Equivalents, and Investments

Opinion

We have audited the accompanying Schedule of Cash, Cash Equivalents, and 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, 2023, and the related notes to the Schedule of Cash, Cash Equivalents, and Investments as listed in the table of contents.

In our opinion, the accompanying Schedule of Cash, Cash Equivalents, and Investments and related notes referred to above presents fairly, in all material respects, the cash, cash equivalents, and investments of the Agency as of December 31, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule of Cash, Cash Equivalents, and Investments section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Schedule of Cash, Cash Equivalents, and Investments

Management is responsible for the preparation and fair presentation of the Schedule of Cash, Cash Equivalents, and Investments in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule of Cash, Cash Equivalents, and Investments that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule of Cash, Cash Equivalents, and Investments, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern within one year after the date that the Schedule of Cash, Cash Equivalents, and Investments is available to be issued.

Auditor's Responsibilities for the Audit of the Schedule of Cash, Cash Equivalents, and Investments

Our objectives are to obtain reasonable assurance about whether the Schedule of Cash, Cash Equivalents, and Investments as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Schedule of Cash, Cash Equivalents, and Investments.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedule of Cash, Cash Equivalents, and Investments, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures to the Schedule of Cash, Cash Equivalents, and Investments.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Schedule of Cash, Cash Equivalents, and Investments.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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, 2023, and our report thereon, dated March XX, 2024, expressed an unmodified opinion on those financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March XX, 2024 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 of Cash, Cash Equivalents, and Investments. 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 of Cash, Cash Equivalents, and Investments.

Brightwaters, New York
March XX, 2024

**SCHEDULE OF CASH, CASH EQUIVALENTS,
AND INVESTMENTS**

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF CASH, CASH EQUIVALENTS, AND INVESTMENTS December 31, 2023

Cash and cash equivalents	<u>\$ 16,573,766</u>
Total cash and cash equivalents	<u><u>\$ 16,573,766</u></u>

The accompanying notes are an integral
part of this schedule.

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO SCHEDULE OF CASH, CASH EQUIVALENTS, AND INVESTMENTS

1. Nature of 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.

2. Summary of Significant Accounting Policies

Cash, cash equivalents, and investments: Cash equivalents are defined as short-term highly liquid investments including money markets with maturities of three months or less.

3. 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 bank and trust companies authorized for the deposit of monies by the Town of Hempstead. The Agency's Board of Directors' 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, 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.

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO SCHEDULE OF CASH, CASH EQUIVALENTS, AND INVESTMENTS

3. Cash, Cash Equivalents, and Investments (continued)

Custodial credit risk - deposits investments - Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, an organization may be unable to recover deposits, or recover collateral securities that are in possession of an outside Corporation. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, an organization 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, 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, 2023, the Agency's bank balances totaled \$16,586,565. This amount is exclusive of petty cash of \$64. Of the bank balances, \$500,000 was covered by federal deposit insurance and \$16,086,565 was secured by collateral held by the pledging financial institution's agent, a third-party financial institution, but not in the Agency's name or covered by an irrevocable stand-by letter of credit issued by Federal Home Loan Bank of New York, which is held by the pledging financial institution.

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, 2023, the Agency did not have any investments subject to interest-rate risk or concentration of credit risk.

INTERNAL CONTROL

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE SCHEDULE OF CASH, CASH EQUIVALENTS,
AND 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 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 Schedule of Cash, Cash Equivalents, and Investments of the Town of Hempstead Industrial Development Agency (the "Agency") as of December 31, 2023, and the related notes to the Schedule of Cash, Cash Equivalents, and Investments, and have issued our report thereon dated March XX, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the Schedule of Cash, Cash Equivalents, and Investments, we considered the Agency's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule of Cash, Cash Equivalents, and 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's Schedule of Cash, Cash Equivalents, and Investments 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.

To the Board of Directors
Town of Hempstead Industrial Development Agency

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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's Schedule of Cash, Cash Equivalents, and Investments is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and investment policies established by the Agency, Section 2925 of the New York State Public Authorities Law and the New York State Comptroller investment guideline requirements as presented in Section 201.3(c) of the *Accounting, Reporting and Supervision Requirements for Public Authorities*, noncompliance with which could have a direct and material effect on the Schedule of Cash, Cash Equivalents, and Investments. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Brightwaters, New York
March XX, 2024

**TOWN OF HEMPSTEAD
INDUSTRIAL DEVELOPMENT AGENCY**

**COMMUNICATION WITH THOSE CHARGED
WITH GOVERNANCE
December 31, 2023**

March XX, 2024

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

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, 2023. 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 November 1, 2023. 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 2023. We noted no transactions entered into by the Agency during the year 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 estimates affecting the Agency's financial statements were:

The Agency's estimate of the other post-employment benefit plan (“OPEB”) is based on a third-party actuarial valuation. The valuation was prepared in accordance with Government 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 estimate of the Agency's proportionate share of the net pension liability for the New York State and Local Employees' Retirement System is based on an actuarial valuation as of March 31, 2023. We evaluated the key factors and assumptions used to develop the 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.

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 clearly 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 XX, 2024.

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'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, 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 schedules, which accompany the financial statements but are not RSI. With respect to this other 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 other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

In connection with our audit, nothing came to our attention that causes us to believe the Agency failed to comply with its Investment Policy, the New York State Office of the State Comptroller's Investment Guidelines, Section 2925 of the New York State Public Authorities Law, or Section 201.3 of the New York State Public Authorities Law (collectively, the "Investment Guidelines"), insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Had we performed additional procedures, other matters may have come to our attention regarding the Agency's non-compliance with the Investment Guidelines, insofar as they relate to accounting matters.

To the Board of Directors
Town of Hempstead Industrial Development Agency
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Restriction on Use

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

Brightwaters, New York
March XX, 2024

DRAFT

Town of Hempstead Industrial Development Agency
Adjusting Journal Entries
December 31, 2023

	Debit	Credit
<u>Adjusting Entry #1:</u>		
To reverse prior year deferred outflows and inflows.		
Dr: Net pension liability - proportionate share	\$ 213,674	
Dr: Deferred inflows - pension	\$ 361,201	
Cr: Net pension liability - proportionate share		\$ 361,201
Cr: Deferred outflows - pension		\$ 213,674
<u>Adjusting Entry #2:</u>		
To adjust net pension liability - proportionate share for current year contributions.		
Dr: Net pension liability - proportionate share	\$ 53,481	
Cr: Pension expense		\$ 53,481
<u>Adjusting Entry #3:</u>		
To record current year pension expense per the NYSLRS GASB 68 report.		
Dr: Pension expense - proportionate share	\$ 110,871	
Cr: Net pension liability - proportionate share		\$ 110,871
<u>Adjusting Entry #4:</u>		
To record current year deferred outflows per the NYSLRS GASB 68 report.		
Dr: Deferred outflows - pensions	\$ 183,687	
Cr: Net pension liability - proportionate share		\$ 183,687
<u>Adjusting Entry #5:</u>		
To record current year deferred inflows per the NYSLRS GASB 68 report.		
Dr: Net pension liability - proportionate share	\$ 19,787	
Cr: Deferred inflows - pensions		\$ 19,787
<u>Adjusting Entry #6:</u>		
To record current year deferred outflows and related expense per GASB 75.		
Dr: Post-retirement health benefits expense	\$ 166,903	
Dr: Deferred outflows - OPEB	\$ 477,055	
Dr: Deferred inflows - OPEB	\$ 37,900	
Cr: Post-retirement health benefits liability		\$ 640,000
Cr: Health insurance		\$ 41,858