

**TOWN OF HEMPSTEAD
INDUSTRIAL
DEVELOPMENT AGENCY**
(A Component Unit of the Town of Hempstead, New York)

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**
December 31, 2025 and 2024

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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, 2025 and 2024, 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, 2025 and 2024, 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 these 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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 41 through 43 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2026, 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

To the Board of Directors
Town of Hempstead Industrial Development Agency
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testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Sheehan & Company CPA, P.C.

Brightwaters, New York
March 24, 2026

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, 2025 and December 31, 2024. Please read this in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights - 2025:

- The assets and deferred outflows of resources of the Agency exceeded its liabilities and deferred inflows of resources at December 31, 2025, by \$3,969,541.
- The Agency's total assets increased by \$1,233,324 in the year 2025. Total deferred outflows of resources increased by \$2,511. The Agency's total liabilities increased by \$1,220,762 in the year 2025. Total deferred inflows of resources decreased by \$127,304.
- As of the close of the current year, the Agency reported net position of \$3,969,541, an increase of \$142,377 from the December 31, 2024 net position.

Financial Highlights - 2024:

- The assets and deferred outflows of resources of the Agency exceeded its liabilities and deferred inflows of resources at December 31, 2024, by \$3,827,164.
- The Agency's total assets increased by \$928,140 in the year 2024. Total deferred outflows of resources decreased by \$36,975. The Agency's total liabilities increased by \$779,001 in the year 2024. Total deferred inflows of resources increased by \$77,121.
- As of the close of 2024, the Agency reported net position of \$3,827,164, an increase of \$35,043 from the December 31, 2023, 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 - 2025:

Condensed Statements of Net Position at December 31,

| | <u>2025</u> | <u>2024</u> | <u>Dollar Change</u> | <u>Percentage Change</u> |
|--|---------------------|---------------------|--------------------------|------------------------------|
| Current assets | \$ 18,510,448 | \$ 17,547,763 | \$ 962,685 | 5.49 |
| Capital assets, net of depreciation/amortization | 275,159 | 4,520 | 270,639 | 5,987.59 |
| Total assets | <u>18,785,607</u> | <u>17,552,283</u> | <u>1,233,324</u> | 7.03 |
| Deferred outflows of resources | <u>1,202,799</u> | <u>1,200,288</u> | <u>2,511</u> | 0.21 |
| Current liabilities | 12,779,829 | 12,076,253 | 703,576 | 5.83 |
| Non-current liabilities | 2,931,634 | 2,414,448 | 517,186 | 21.42 |
| Total liabilities | <u>15,711,463</u> | <u>14,490,701</u> | <u>1,220,762</u> | 8.42 |
| Deferred inflows of resources | <u>307,402</u> | <u>434,706</u> | <u>(127,304)</u> | (29.29) |
| Net position: | | | | |
| Net investment in capital assets | 1,621 | 4,520 | (2,899) | (64.14) |
| Unrestricted | <u>3,967,920</u> | <u>3,822,644</u> | <u>145,276</u> | 3.80 |
| Total net position | <u>\$ 3,969,541</u> | <u>\$ 3,827,164</u> | <u>\$ 142,377</u> | 3.72 |

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Comparative Financial Statements - 2025 (continued):

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

| | <u>2025</u> | <u>2024</u> | <u>Dollar Change</u> | <u>Percentage Change</u> |
|---------------------------------|-------------------|------------------|--------------------------|------------------------------|
| Total operating revenues | \$ 1,155,473 | \$ 1,107,405 | \$ 48,068 | 4.34 |
| Total operating expenses | 1,060,395 | 1,142,316 | (81,921) | (7.17) |
| Operating income | 95,078 | (34,911) | 129,989 | (372.34) |
| Non-operating revenue (expense) | 47,299 | 69,954 | (22,655) | (32.39) |
| Change in net position | <u>\$ 142,377</u> | <u>\$ 35,043</u> | <u>\$ 107,334</u> | 306.29 |

Analysis of Net Position and Results of Operations - 2025:

- Total assets increased by \$1,233,324. This is a result of an increase in cash and cash equivalents of \$979,648 from the prior year and an increase in capital assets, net of \$270,639. These increases are offset by a decrease of \$16,963 in fees and other receivables. The increase in cash and cash equivalents is primarily a result of the timing of PILOT disbursements at December 31, 2025, compared to 2024. The Agency reports a liability of \$12,719,576 related to these payments at December 31, 2025, as compared to a liability of \$12,068,918 at December 31, 2024.
- The Agency's 2025 net position increased by \$142,377 from the 2024 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 furniture and equipment in the amount of \$12,109 during 2025. The Agency executed a new lease agreement effective January 1, 2025 that meets the criteria under Governmental Accounting Standards Board ("GASB") Statement No. 87, *Leases*. This resulted in the recording of a right-of-use lease asset of \$327,488 and lease accumulated amortization of \$65,498.
- The Agency received \$44,124 of intermunicipal services income related to reimbursement for shared expenses, including rent and supplies, from the Town of Hempstead Local Development Corporation. This is included in operating revenues.
- The Agency's post-employment health insurance benefits liability increased by \$270,824. The amount was determined based on an actuarial valuation.

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Budgetary Analysis - 2025:

- Fees for services were higher than the final budget by \$171,549. There were six project closings, including refinances, during the year, in addition to other fees collected for existing agreements in the current year and prior year. In addition, the average funding amount of the closed projects was higher in the current year compared to the prior year. Total expenses exceeded the final budget by \$105,145.

Condensed Comparative Financial Statements - 2024:

Condensed Statements of Net Position at December 31,

| | <u>2024</u> | <u>2023</u> | <u>Dollar Change</u> | <u>Percentage Change</u> |
|--|---------------------|---------------------|--------------------------|------------------------------|
| Current assets | \$ 17,547,763 | \$ 16,616,483 | \$ 931,280 | 5.60 |
| Capital assets, net of depreciation/amortization | 4,520 | 7,660 | (3,140) | (40.99) |
| Total assets | <u>17,552,283</u> | <u>16,624,143</u> | <u>928,140</u> | 5.58 |
| Deferred outflows of resources | <u>1,200,288</u> | <u>1,237,263</u> | <u>(36,975)</u> | (2.99) |
| Current liabilities | 12,076,253 | 11,388,884 | 687,369 | 6.04 |
| Non-current liabilities | <u>2,414,448</u> | <u>2,322,816</u> | <u>91,632</u> | 3.95 |
| Total liabilities | <u>14,490,701</u> | <u>13,711,700</u> | <u>779,001</u> | 5.68 |
| Deferred inflows of resources | <u>434,706</u> | <u>357,585</u> | <u>77,121</u> | 21.57 |
| Net position: | | | | |
| Net investment in capital assets | 4,520 | 7,660 | (3,140) | (40.99) |
| Unrestricted | <u>3,822,644</u> | <u>3,784,461</u> | <u>38,183</u> | 1.01 |
| Total net position | <u>\$ 3,827,164</u> | <u>\$ 3,792,121</u> | <u>\$ 35,043</u> | 0.92 |

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

| | <u>2024</u> | <u>2023</u> | <u>Dollar Change</u> | <u>Percentage Change</u> |
|---------------------------------|------------------|-------------------|--------------------------|------------------------------|
| Total operating revenues | \$ 1,107,405 | \$ 1,349,572 | \$ (242,167) | (17.94) |
| Total operating expenses | <u>1,142,316</u> | <u>1,094,701</u> | <u>47,615</u> | 4.35 |
| Operating income | (34,911) | 254,871 | (289,782) | (113.70) |
| Non-operating revenue (expense) | <u>69,954</u> | <u>68,354</u> | <u>1,600</u> | 2.34 |
| Change in net position | <u>\$ 35,043</u> | <u>\$ 323,225</u> | <u>\$ (288,182)</u> | (89.16) |

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Analysis of Net Position and Results of Operations - 2024:

- Total assets increased by \$928,140. This is a result of an increase in cash and cash equivalents of \$930,577 from 2023 and an increase in fees and other receivables of \$703 from 2023. The increase in cash and cash equivalents is primarily a result of the timing of PILOT disbursements at December 31, 2024 compared to 2023. The Agency reports a liability of \$12,068,918 related to these payments at December 31, 2024, as compared to a liability of \$11,387,055 at December 31, 2023.
- The Agency's 2024 net position increased by \$35,043 from the 2023 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 2024.
- The Agency received \$21,887 of intermunicipal services income related to reimbursement for shared expenses, including rent and supplies, from the Town of Hempstead Local Development Corporation. This is included in operating revenues.
- The Agency's post-employment health insurance benefits liability increased by \$152,944. The amount was determined based on an actuarial valuation.
- The Agency entered into an intermunicipal agreement with the Town of Hempstead in March 2024. The Agency reimbursed the Town of Hempstead for costs related to renovations to the "old courtroom" in the amount of \$80,709.

Budgetary Analysis - 2024:

- Fees for services were higher than the final budget by \$158,518. There were nine project closings, including refinances, during 2024, in addition to other fees collected for existing agreements. In addition, the average funding amount of closed projects was lower in 2024 compared to 2023. Total expenses exceeded the final budget by \$191,691.

Economic Factors and Next Year's Budget:

The Agency has budgeted revenues of \$1,088,888 and expenses of \$1,088,888 in the 2026 budget, an increase of \$121,588 in estimated revenues and estimated expenses from the final 2025 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, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|--|-------------------|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 18,483,991 | \$ 17,504,343 |
| Fees receivable | 6,960 | 31,615 |
| Other receivable | 19,497 | 11,805 |
| Total current assets | <u>18,510,448</u> | <u>17,547,763</u> |
| Non-current assets: | | |
| Capital assets, net of depreciation/amortization | 275,159 | 4,520 |
| Total non-current assets | <u>275,159</u> | <u>4,520</u> |
| Total assets | <u>18,785,607</u> | <u>17,552,283</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred outflows - pension | 104,093 | 147,588 |
| Deferred outflows - OPEB | 1,098,706 | 1,052,700 |
| Total deferred outflows of resources | <u>1,202,799</u> | <u>1,200,288</u> |

See notes to financial statements

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF NET POSITION December 31, 2025 and 2024

| | 2025 | 2024 |
|---|--------------|--------------|
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 1,769 | \$ 7,335 |
| Lease liability, current portion | 58,484 | - |
| Due to local other governments (PILOT) | 12,719,576 | 12,068,918 |
| Total current liabilities | 12,779,829 | 12,076,253 |
| Non-current liabilities: | | |
| Compensated absences | 162,391 | 149,199 |
| Lease liability, net of current portion | 215,054 | - |
| Post-employment health insurance benefits | 2,363,702 | 2,092,878 |
| Net pension liability - proportionate share | 190,487 | 172,371 |
| Total non-current liabilities | 2,931,634 | 2,414,448 |
| Total liabilities | 15,711,463 | 14,490,701 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflows - pension | 13,848 | 99,746 |
| Deferred inflows - OPEB | 293,554 | 334,960 |
| Total deferred inflows of resources | 307,402 | 434,706 |
| NET POSITION | | |
| Net investment in capital assets | 1,621 | 4,520 |
| Unrestricted | 3,967,920 | 3,822,644 |
| Total net position | \$ 3,969,541 | \$ 3,827,164 |

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, 2025 and 2024**

| | 2025 | 2024 |
|---|--------------|--------------|
| Operating revenues: | | |
| Fees for services | \$ 1,111,349 | \$ 1,085,518 |
| Intermunicipal services income | 44,124 | 21,887 |
| Total operating revenues | 1,155,473 | 1,107,405 |
| Operating expenses: | | |
| Salaries | 457,252 | 444,576 |
| Payroll taxes | 36,143 | 35,136 |
| Pension expense | 52,270 | 83,895 |
| Compensated absences | 13,192 | 33,375 |
| Health insurance | 83,355 | 83,835 |
| Workers compensation | 22,511 | 23,045 |
| Post-employment health insurance benefits | 225,278 | 192,848 |
| Contractual and professional fees | 69,952 | 87,975 |
| Advertising | 5,000 | 14,302 |
| Rent | - | 39,320 |
| Office and related expenses | 16,661 | 13,387 |
| Meetings and travel | 6,127 | 2,933 |
| Dues and subscriptions | 3,696 | 3,840 |
| Courtroom expenses | - | 80,709 |
| Depreciation and amortization | 68,958 | 3,140 |
| Total operating expenses | 1,060,395 | 1,142,316 |
| Operating income (loss) | 95,078 | (34,911) |
| Non-operating revenue (expense): | | |
| Interest expense - lease liability | (12,050) | - |
| Interest income | 59,349 | 69,954 |
| Total non-operating revenue (expense) | 47,299 | 69,954 |
| Changes in net position | 142,377 | 35,043 |
| Net position, January 1 | 3,827,164 | 3,792,121 |
| Net position, December 31 | \$ 3,969,541 | \$ 3,827,164 |

See notes to financial statements

**TOWN OF HEMPSTEAD
INDUSTRIAL DEVELOPMENT AGENCY**

**STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2025 and 2024**

| | 2025 | 2024 |
|--|---------------|---------------|
| Cash flows from operating activities: | | |
| Cash received: | | |
| From providing services | \$ 1,180,128 | \$ 1,108,963 |
| Cash payments: | | |
| Contractual services | (137,204) | (262,771) |
| Personal services and employee benefits | (695,174) | (667,432) |
| Net cash provided by operating activities | 347,750 | 178,760 |
| Cash flows from non-capital financing activities: | | |
| Cash received from payments in lieu of taxes and penalties | 42,849,454 | 39,616,079 |
| Cash paid for payments in lieu of taxes and penalties | (42,198,796) | (38,934,216) |
| Net cash provided by non-capital financing activities | 650,658 | 681,863 |
| Cash flows from capital and related financing activities: | | |
| Principal paid on lease liability | (53,950) | - |
| Interest paid on lease liability | (12,050) | - |
| Acquisition of furniture and fixtures | (12,109) | - |
| Net cash used by capital and related financing activities | (78,109) | - |
| Cash flows from investing activities: | | |
| Interest income | 59,349 | 69,954 |
| Net cash provided by investing activities | 59,349 | 69,954 |
| Net change in cash and cash equivalents | 979,648 | 930,577 |
| Cash and cash equivalents, January 1 | 17,504,343 | 16,573,766 |
| Cash and cash equivalents, December 31 | \$ 18,483,991 | \$ 17,504,343 |

See notes to financial statements

**TOWN OF HEMPSTEAD
INDUSTRIAL DEVELOPMENT AGENCY**

**STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2025 and 2024**

| | 2025 | 2024 |
|--|-------------|-------------|
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income (loss) | \$ 95,078 | \$ (34,911) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation and amortization | 68,958 | 3,140 |
| Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources: | | |
| (Increase) decrease in assets: | | |
| Fees receivable | 24,655 | 1,558 |
| Other receivable | (7,692) | (2,261) |
| (Increase) decrease in deferred outflows of resources | (2,511) | 36,975 |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | (5,566) | 5,506 |
| Compensated absences | 13,192 | 33,375 |
| Post-employment health insurance benefits | 270,824 | 152,944 |
| Net pension asset/liability - proportionate share | 18,116 | (94,687) |
| Increase (decrease) in deferred inflows of resources | (127,304) | 77,121 |
| Total adjustments | 252,672 | 213,671 |
| Net cash provided by operating activities | \$ 347,750 | \$ 178,760 |
| Non-cash investing, capital, and financing activities: | | |
| Recognition of right-to-use lease asset and corresponding lease liability under GASB 87 | \$ 327,488 | \$ - |

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. At December 31, 2025, there was one vacant position. The Agency is a component unit of the Town of Hempstead, New York.

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 United States generally accepted accounting principles (“U.S. 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, 2025 and 2024.

Capital assets: Capital assets (except intangible right-of-use leased assets) purchased or acquired are reported at historical cost and are being depreciated using the straight-line method over the useful lives of the assets, ranging from 5 to 15 years. Costs incurred for repairs and maintenance are expensed as incurred.

Intangible assets lack physical substance, are nonfinancial in nature, and have estimated useful lives extending beyond a single reporting period. All of the Agency's intangible capital assets have definite useful lives. Right-of-use leased assets ("leased assets") are valued at the present value of the expected lease pursuant to the underlying agreement and are adjusted for certain items, if and as applicable, as required by GASB. Assets stemming from lease liabilities are amortized over the shorter life of the asset or the term of the contractual arrangement.

Leases: For agreements with a maximum possible term of twelve months or less at commencement, the Agency recognizes expense (as lessee) based on the provisions of the agreement. For agreements with a maximum possible term of more than twelve

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Leases (continued):

months, the Agency as lessee recognizes a liability and a right-to-use intangible lease capital asset.

The Agency serves as lessee to a long-term lease agreement for the use of office space with the Town of Hempstead.

A lease is defined as a contractual agreement that conveys controls of the right to use another entity's nonfinancial assets for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction. At the commencement of the lease, the Agency as lessee initially measures the lease liability at the present value of payments expected to be made during the lease term. A leased asset is initially measured as the amount of the initial lease liability less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any incentives received at or before the lease commencement date.

Key estimates and judgments related to leases include the discount rate used to present value payments to be received under each individual agreement, agreement term, and payments to be received or paid over the term of the agreement, which can include both fixed and variable amounts. The Agency has one lease for which it serves as lessee and the Agency's estimated incremental borrowing rate was used as the discount rate in measuring the present value of lease payments. The Agency monitors changes in circumstances that may require a remeasurement of the recorded lease asset and liability.

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, 2025 and 2024, the balance due to local other governments (PILOT) was \$12,719,576 and \$12,068,918, 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. In accordance with GASB Statement No. 101, *Compensated Absences*, a liability is recognized for leave that has not been used if (a) the leave is attributable to

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Compensated absences (continued):

services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through non-cash means.

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 amortization and reduced by the outstanding balances of any lease liability, 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, 2025 and 2024, 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 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, 2025 and 2024, were \$5,000 and \$14,302, respectively.

Recent accounting pronouncements: The Agency has adopted all current standards of the GASB that are applicable.

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

1. **Summary of Significant Accounting Policies (continued)**

Reclassification: Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with presentation of the current year financial statements.

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.

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, 2025 and 2024, outstanding debt induced by the Agency and issued by other entities amounted to \$53,920,000 and \$55,320,000, 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

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

4. Cash and Cash Equivalents (continued)

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

GASB Statement No. 40, *Deposit, and Investment Risk Disclosures - An Amendment of GASB Statement No. 3*, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

- Uncollateralized;
- Collateralized with securities held by the pledging financial institution in the Agency's name; or
- Collateralized with securities held by the pledging financial institution's trust department or agent but not in the Agency's name.

At December 31, 2025, the Agency's bank balances totaled \$18,504,072. This amount was exclusive of petty cash of \$64. Of the bank balances, \$500,000 was covered by federal deposit insurance and \$18,004,072 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, 2024, the Agency's bank balances totaled \$17,466,562. This amount was exclusive of petty cash of \$64. Of the bank balances, \$500,000 was covered by federal deposit insurance and \$16,966,562 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.

**TOWN OF HEMPSTEAD
INDUSTRIAL DEVELOPMENT AGENCY**

NOTES TO FINANCIAL STATEMENTS

5. Capital Assets

Activity for capital assets for the year ended December 31, 2025, is summarized as follows:

| | Balance December 31, 2024 | Additions | Deletions | Balance December 31, 2025 |
|---|--|------------------|------------------|--|
| Depreciable/amortizable capital assets: | | | | |
| Equipment | \$ 19,807 | \$ 12,109 | \$ - | \$ 31,916 |
| Furniture and fixtures | 33,543 | - | - | 33,543 |
| Leasehold improvements | 98,414 | - | - | 98,414 |
| Leased assets | - | 327,488 | - | 327,488 |
| | 151,764 | - | - | 491,361 |
| Less: accumulated depreciation/amortization | (147,244) | (68,958) | - | (216,202) |
| Capital Assets, net | \$ 4,520 | \$ (68,958) | \$ - | \$ 275,159 |

Activity for capital assets for the year ended December 31, 2024, is summarized as follows:

| | Balance December 31, 2023 | Additions | Deletions | Balance December 31, 2024 |
|---|--|------------------|------------------|--|
| Depreciable/amortizable capital assets: | | | | |
| Equipment | \$ 19,807 | \$ - | \$ - | \$ 19,807 |
| Furniture and fixtures | 33,543 | - | - | 33,543 |
| Leasehold improvements | 98,414 | - | - | 98,414 |
| | 151,764 | - | - | 151,764 |
| Less: accumulated depreciation/amortization | (144,104) | (3,140) | - | (147,244) |
| Capital Assets, net | \$ 7,660 | \$ (3,140) | \$ - | \$ 4,520 |

Depreciation expense was \$3,460 and \$3,140 for the years ending December 31, 2025 and 2024, respectively. Leased assets (buildings) and accumulated amortization totaled \$327,488 and \$65,498, respectively, at December 31, 2025. There were no leased assets meeting the criteria for recognition at December 31, 2024. The Agency evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment has occurred. The Agency's policy is to record an impairment loss in the period when it is determined that the carrying amount of the assets will not be recoverable. At December 31, 2025, the Agency has not recorded any such impairment losses.

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

6. Leases

On January 1, 2025, the Agency entered into a noncancelable lease agreement for office space. The lease term is 60 months, expiring December 31, 2029. There are no renewal or purchase options considered reasonably certain of exercise. The Agency used a discount rate of 4.38% in measuring the lease liability based on the terms of the agreement and Agency’s estimated incremental borrowing rate. The lease does not include residual value guarantees or other payments that are excluded from the lease liability measurement.

At December 31, 2025, the Agency reported a right-of-use leased asset of \$327,488 and accumulated amortization of \$65,498. The right-of-use asset and accumulated amortization are disclosed separately from other capital assets in Note 5. The related lease liability at December 31, 2025, was \$273,538. For the year ended December 31, 2025, the Agency recognized amortization expense on the right-of-use asset of \$65,498 and interest expense on the lease liability of \$12,050. Lease payments of \$66,000 were made during 2025.

Future minimum lease payments, including principal and interest on the lease liability, are as follows:

| <u>Years Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------------|-------------------|------------------|-------------------|
| 2026 | \$ 58,484 | \$ 10,816 | \$ 69,300 |
| 2027 | 64,633 | 8,132 | 72,765 |
| 2028 | 71,234 | 5,170 | 76,404 |
| 2029 | 79,187 | 1,036 | 80,223 |
| Total lease payments | <u>\$ 273,538</u> | <u>\$ 25,154</u> | <u>\$ 298,692</u> |

7. Pension Plan

Plan description: The Agency participates in the New York State and Local Employees' Retirement System (“ERS”) which is part of the New York State and Local Retirement System (the “System”). This is a cost-sharing, multiple-employer defined benefit retirement system. The net position of the System is held in the New York State Common Retirement Fund (the “Fund”), which was established to hold all net assets and record changes in fiduciary net position allocated to the System.

The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (“NYSRSSL”). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future

**TOWN OF HEMPSTEAD
INDUSTRIAL DEVELOPMENT AGENCY**

NOTES TO FINANCIAL STATEMENTS

7. Pension Plan (continued)

Plan description (continued):

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. GLIP amounts are apportioned to and included in the ERS. The System is included in the State's financial report as a pension trust fund. The System's financial report may be found at www.osc.state.ny.us/retirement/resources/financial-statements-and-supplementary-information or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

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

Tiers 1 and 2

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

Benefit calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2% of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the NYSRSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000, received an additional month of service credit for each year of credited service they have 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.

**TOWN OF HEMPSTEAD
INDUSTRIAL DEVELOPMENT AGENCY**

NOTES TO FINANCIAL STATEMENTS

7. Pension Plan (continued)

Benefits provided (continued):

Tiers 3, 4, and 5

Eligibility: Tiers 3, 4, and 5 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 full benefit age for Tiers 3, 4, and 5 is 62.

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

Final average salary is the average of the wages earned in the three highest consecutive years of employment. For Tier 3, 4, and 5 members, each year used in the final average salary calculation is limited to no more than 10% greater than 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 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 five 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 three highest consecutive years. For Tier 6 members, each year's compensation used in the final salary calculation is limited to no more than 10% greater than the average of the previous two years.

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

7. Pension Plan (continued)

Benefits provided (continued):

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.

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 NYRSSL, 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

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

7. **Pension Plan (continued)**

Contributions (continued):

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:

| <u>Year Ended December 31:</u> | <u>Amount</u> |
|--------------------------------|---------------|
| 2025 | \$ 76,558 |
| 2024 | 62,019 |
| 2023 | 53,481 |

The Agency's 2025 invoice to the System for \$83,786 is due February 1, 2026, 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 2026.

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.

**TOWN OF HEMPSTEAD
INDUSTRIAL DEVELOPMENT AGENCY**

NOTES TO FINANCIAL STATEMENTS

7. Pension Plan (continued)

Contributions (continued):

This law requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years when the local employer opts to participate in the program.

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions: At December 31, 2025 and 2024, the Agency reported a liability of \$190,487 and \$172,371, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2025 and 2024, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

On March 31, 2025 and 2024, the Agency's proportion was .0011110% and .0011707% respectively.

For the year ended December 31, 2025, the Agency recognized pension expense of \$52,270. At December 31, 2025, 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 | \$ 47,280 | \$ 2,230 |
| Changes of assumptions | 7,989 | - |
| Net difference between projected and actual earnings on pension plan investments | 14,945 | - |
| Changes in proportion and differences between Agency contributions and proportionate share of contributions | 33,879 | 11,618 |
| Total | \$ 104,093 | \$ 13,848 |

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

**TOWN OF HEMPSTEAD
INDUSTRIAL DEVELOPMENT AGENCY**

NOTES TO FINANCIAL STATEMENTS

7. Pension Plan (continued)

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

| Year Ended March 31: | Amount |
|-----------------------------|---------------|
| 2026 | \$ 38,976 |
| 2027 | 56,650 |
| 2028 | (10,604) |
| 2029 | 5,223 |

For the year ended December 31, 2024, the Agency recognized pension expense of \$83,895. At December 31, 2024, 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 | \$ 55,521 | \$ 4,700 |
| Changes of assumptions | 65,170 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 84,203 |
| Changes in proportion and differences between Agency contributions and proportionate share of contributions | 26,897 | 10,843 |
| Total | \$ 147,588 | \$ 99,746 |

Actuarial assumptions: The total pension liability on March 31, 2025, was determined by using a roll-forward procedure to advance the liability calculated using system assumptions and member demographics from the actuarial valuation completed as of April 1, 2024. The total pension liability on March 31, 2024, was determined by using an actuarial valuation as of April 1, 2023. The actuarial valuations used the following actuarial assumptions:

| | 2025 | 2024 |
|--|-------------|-------------|
| Inflation | 2.9% | 2.9% |
| Salary increases | 4.3% | 4.4% |
| Investment rate of return (net of investment expense, including inflation) | 5.9% | 5.9% |
| Cost of living adjustments | 1.5% | 1.5% |

**TOWN OF HEMPSTEAD
INDUSTRIAL DEVELOPMENT AGENCY**

NOTES TO FINANCIAL STATEMENTS

7. Pension Plan (continued)

Actuarial assumptions (continued):

To set the long-term expected rate of return on pension plan investments, consideration was given to a building-block method using best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) 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.

Demographic assumptions used in the April 1, 2024, actuarial valuation are based on the results of an actuarial experience study completed April 1, 2020. Demographic assumptions are primarily based on System experience over the period April 1, 2015 - March 31, 2020. Annuitant mortality rates are adjusted to incorporate mortality improvements under the Society of Actuaries' Scale MP-2021.

The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2025, are summarized below:

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return</u> | <u>Target Allocations</u> |
|-----------------------------|---|---------------------------|
| Domestic equity | 3.54% | 25.00% |
| International equity | 6.57% | 14.00% |
| Private equity | 7.25% | 15.00% |
| Real estate | 4.95% | 12.00% |
| Opportunistic/ARS Portfolio | 5.25% | 3.00% |
| Credit | 5.40% | 4.00% |
| Real assets | 5.55% | 4.00% |
| Fixed income | 2.00% | 22.00% |
| Cash | 0.25% | 1.00% |
| | | <u>100.00%</u> |

The target allocations and best estimates of arithmetic real rates of return for each major asset class as of March 31, 2024, is summarized below:

**TOWN OF HEMPSTEAD
INDUSTRIAL DEVELOPMENT AGENCY**

NOTES TO FINANCIAL STATEMENTS

7. Pension Plan (continued)

Actuarial assumptions (continued):

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return</u> | <u>Target Allocations</u> |
|-----------------------------|---|---------------------------|
| Domestic equity | 4.00% | 32.00% |
| International equity | 6.65% | 15.00% |
| Private equity | 7.25% | 10.00% |
| Real estate | 4.60% | 9.00% |
| Opportunistic/ARS Portfolio | 5.25% | 3.00% |
| Credit | 5.40% | 4.00% |
| Real assets | 5.79% | 3.00% |
| Fixed income | 1.50% | 23.00% |
| Cash | 0.25% | 1.00% |
| | | <u>100.00%</u> |

The real rate of return is net of the long-term inflation assumption of 2.9% and 2.9% as of March 31, 2025 and 2024, respectively.

Discount rate: The discount rate used to calculate the total pension liability in 2025 and 2024 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 2025 and 2024 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

7. Pension Plan (continued)

Sensitivity of the proportionate share of the net pension liability to the discount rate assumption (continued):

| | 1% Decrease (4.9%) | Assumption (5.9%) | 1% Increase (6.9%) |
|--|-------------------------------|------------------------------|-------------------------------|
| Agency's proportionate share of the net pension liability (asset): | | | |
| 2025 | \$ 551,287 | \$ 190,485 | \$ (110,785) |
| 2024 | \$ 541,954 | \$ 172,371 | \$ (136,306) |

Pension plan fiduciary net position: The components of the net pension liability of the employers as of March 31, 2025 and 2024, were as follows:

| | (Dollars in Thousands) | |
|------------------------------------|-------------------------------------|----------------|
| | Employees' Retirement System | |
| | 2025 | 2024 |
| Employers' total pension liability | \$ 247,600,239 | \$ 240,696,851 |
| Plan net position | (230,454,512) | (225,972,801) |
| Employers' net pension liability | \$ 17,145,727 | \$ 14,724,050 |

| | | |
|--|-------|-------|
| Ratio of plan net position to the employers' total pension liability | 93.1% | 93.9% |
|--|-------|-------|

8. Liability for Compensated Absences

The Agency, in conformity with the Town of Hempstead collective bargaining agreement, maintains a policy, which permits employees to accumulate a limited amount of earned but unused vacation leave and sick time, which will be used in future years or paid upon separation from the Agency's service. Upon termination, an employee hired before January 1, 2013, will be paid for a maximum of 800 hours of vacation time. An employee hired after January 1, 2013, will be paid for a maximum of 400 hours of vacation time, upon termination.

Sick time will be paid in accordance with a schedule based upon years of completed service, up to 1,600 hours if hired before January 1, 2013. If hired after this date, the maximum paid sick time will be up to 800 hours. The cost of accumulated vacation and sick leave, as well as an amount for salary-related payments (i.e., Social Security and Medicare taxes), is recorded as a liability and expense when accrued.

In accordance with GASB Statement No. 101, *Compensated Absences*, a liability was recognized for leave that has not been used if: (a) the leave is attributable to services

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

8. Liability for Compensated Absences (continued)

already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through non-cash means.

The liability for compensated absences as of December 31, 2025 and 2024, is as follows:

| | 2025 | 2024 |
|----------------------|-------------|-------------|
| Balance, January 1 | \$ 149,199 | \$ 115,824 |
| Net change | 13,192 | 33,375 |
| Balance, December 31 | \$ 162,391 | \$ 149,199 |

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

9. Expenses and Fees for Bonds and Straight Leases

All expenses incurred by the Agency for notices, court recorders, meeting rooms, underwriting, trustees, legal, issuance of bonds and notes, and straight leases are for the account of and reimbursed by the applicant.

The Agency's minimum fees are as follows:

1. **Application fee:** The Agency charges a non-refundable fee of \$3,000 at the time of receiving a formal application for assistance, plus a \$500 expense deposit for Cost Benefit Analysis.
2. **Administrative fee:** The Agency charges one-time administrative fees as follows:

| | Percentage of Value |
|--|----------------------------|
| 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

9. Expenses and Fees for Bonds and Straight Leases (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

9. Expenses and Fees for Bonds and Straight Leases (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.

10. Post-Employment Health Insurance Benefit (OPEB) Plan

General information about the OPEB plan:

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

Benefits provided: 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:

| | 2025 | 2024 |
|-------------------------------------|-------------|-------------|
| Active employees fully eligible | 1 | 1 |
| Active employees not fully eligible | 2 | 2 |
| Terminated vested participants | 0 | 0 |
| Retired participants | 2 | 2 |
| Total | 5 | 5 |

**TOWN OF HEMPSTEAD
INDUSTRIAL DEVELOPMENT AGENCY**

NOTES TO FINANCIAL STATEMENTS

10. 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, 2025 and 2024, 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, 2025 and December 31, 2024.

Assumptions and other inputs: The total OPEB liability in the December 31, 2025 and 2024, valuations was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------------|--|
| Discount rate | 4.0% |
| Projected salary increases | 3.0% |
| Mortality rates | PRI-2012 mortality table for employees and healthy annuitants projected generationally with scale MP-2021. |
| Healthcare cost trend rates | 8.0% annually for participants prior to Medicare eligibility and 5.5% annually for participants eligible for Medicare (2025 valuation) and 5.5% annually (2024 valuation). |
| Dental and vision cost trend rate | 4.0% annually (2025 valuation) and 4.0% annually (2024 valuation). |

The discount rate used to measure the total OPEB liability on December 31, 2025 and December 31, 2024, was 4.0%. The discount rate is based on the yields available on the fidelity 20-year General Obligation AA Municipal Bond Index.

**TOWN OF HEMPSTEAD
INDUSTRIAL DEVELOPMENT AGENCY**

NOTES TO FINANCIAL STATEMENTS

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

Changes in the Total OPEB Liability:

| | <u>2025</u> | <u>2024</u> |
|--|---------------------|---------------------|
| Balance on January 1 | \$ 2,092,878 | \$ 1,939,934 |
| Changes for the year: | | |
| Service cost | 32,620 | 33,832 |
| Interest cost | 84,183 | 68,349 |
| Changes in assumptions and other inputs | 54,225 | 131,197 |
| Benefit payments | (41,866) | (41,866) |
| Differences between expected and actual experience | 141,662 | (38,568) |
| | <u>270,824</u> | <u>152,944</u> |
| Balance on December 31 | <u>\$ 2,363,702</u> | <u>\$ 2,092,878</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:

| | <u>1% Decrease (3.0%)</u> | <u>Current Discount Rate (4.0%)</u> | <u>1% Increase (5.0%)</u> |
|-------------|-------------------------------|---|-------------------------------|
| 2025 | \$ 2,863,017 | \$ 2,363,702 | \$ 1,967,516 |
| | <u>1% Decrease (2.5%)</u> | <u>Current Discount Rate (3.5%)</u> | <u>1% Increase (4.5%)</u> |
| 2024 | \$ 2,545,620 | \$ 2,092,878 | \$ 1,735,845 |

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:

| | Healthcare Cost | | |
|-------------|------------------------|--------------|-----------------------|
| | <u>Trend Rate-1%</u> | <u>Rate</u> | <u>Trend Rate +1%</u> |
| 2025 | \$ 1,928,831 | \$ 2,363,702 | \$ 2,932,881 |
| 2024 | \$ 1,699,951 | \$ 2,092,878 | \$ 2,611,019 |

**TOWN OF HEMPSTEAD
INDUSTRIAL DEVELOPMENT AGENCY**

NOTES TO FINANCIAL STATEMENTS

10. 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, 2025, the Agency recognized OPEB expense of \$225,278. In addition, the Agency reported deferred outflows and inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 452,543 | \$ 31,556 |
| Changes in assumptions and other inputs | 646,163 | 261,998 |
| Total | \$ 1,098,706 | \$ 293,554 |

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, | |
|--------------------------------|------------|
| 2026 | \$ 108,475 |
| 2027 | 108,475 |
| 2028 | 108,475 |
| 2029 | 108,475 |
| 2030 | 108,475 |
| Thereafter | 262,777 |
| | \$ 805,152 |

For the year ended December 31, 2024, the Agency recognized OPEB expense of \$192,848. In addition, the Agency reported deferred outflows and inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 462,032 | \$ 35,062 |
| Changes in assumptions and other inputs | 590,668 | 299,898 |
| Total | \$ 1,052,700 | \$ 334,960 |

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

11. Related Party Transactions

The Agency is a component unit of the Town of Hempstead, New York (the Town). The Agency leases its office space from the Town in the building located at 350 Front Street, Suite 240, Hempstead, New York. Effective January 1, 2025 the Agency and Town executed a noncancelable, sixty-month lease agreement expiring December 31, 2029. The agreement, effective January 1, 2025, meets criteria for recognition under GASB 87, *Leases*, and at December 31, 2025 a related leased asset of \$327,488 and accumulated amortization of \$65,498 was recognized by the Agency. Annual rent paid during the year ended December 31, 2025 was \$66,000. During 2024, the Agency paid rent on a month-to-month basis to the Town under a prior agreement. During the year ended December 31, 2024, rent expense totaled \$39,320.

The Agency shares its office space with the Town of Hempstead Local Development Corporation (the Corporation), a related party on a month-to-month basis under an intermunicipal services agreement. The Agency and the Corporation have the same Chief Executive Officer and Chief Financial Officer and common Board of Director members.

In addition to receiving payments from the Corporation for rent, the Agency also receives payments for other shared costs under the intermunicipal services agreement, including supplies and telephone. Total amounts paid to the Agency by the Corporation for the years ended December 31, 2025 and 2024, inclusive of rental payments, were \$44,124 and \$21,887, respectively, and are reflected as intermunicipal services income on the Statement of Revenues, Expenses, and Changes in Net Position. At December 31, 2025 and 2024, the Agency had a receivable of \$19,497 and \$11,805, respectively, for amounts owed from the Corporation, which is reflected on the Statements of Net Position as other receivables.

12. Abatements Recapture

The Agency is empowered by its enabling legislation to grant various benefits in connection with qualifying projects it agrees to help finance, including granting exemptions from the imposition of sales and use taxes on purchases of materials and equipment for use in connection with a project. However, it is the policy of the Agency to grant benefits with respect to a qualifying project only in return for a commitment from the business receiving the Agency benefits to operate and maintain the project consistent with the term of the lease agreement or the life of the bonds. Failure to do so may result in financial penalties being imposed on the business in the form of a required recapture of benefits payment. The Agency would remit any applicable sales and use taxes recaptured to New York State and retains the local portion of the recapture of benefits payments, including any real property tax and mortgage recording tax benefits recaptured pro-rata basis for distribution to the local taxing jurisdictions. During the years ended December 31, 2025 and 2024, the Agency imposed a recapture of \$-0-.

TOWN OF HEMPSTEAD INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

13. Litigation

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

14. Upcoming Pronouncements

The following statements have been issued by the GASB and are to be implemented in a future year, as applicable:

GASB Statement No. 103, *Financial Reporting Model Improvements*, the objective of which is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision-making and assessing a government's accountability. The targeted improvements contained in the Statement reporting requirements relate to: management's discussion and analysis; unusual or infrequent items (previously known as extraordinary and special items); presentation of the proprietary fund statement of revenues, expenses and changes in fund net position; major component unit information; budgetary comparison information; and financial trends information in the statistical section. The requirements of this Statement are effective for the Agency's 2026 year.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, has been issued to improve disclosures about certain types of capital assets by requiring additional disclosures for capital assets held for resale (historical cost and accumulated depreciation and carrying amount of debt for which capital asset is pledged as collateral) as well as requiring certain types of assets to be disclosed separately in the capital asset footnote (such as right-of-use assets recognized from lease liabilities, subscription liabilities and public-private and public-public partnerships and availability payment arrangements). The requirements of this Statement are effective for the Agency's 2026 year.

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

**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 Ten Fiscal Years***

| | <u>2025</u> | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Agency's proportion of the net pension liability (asset) | 0.00111110% | 0.00111707% | 0.0012454% | 0.0012495% | 0.0012497% | 0.0009648% | 0.0009985% | 0.0010663% | 0.0010977% | 0.0012890% |
| Agency's proportionate share of the net pension liability (asset) | \$ 190,487 | \$ 172,371 | \$ 267,058 | \$ (102,540) | \$ 1,242 | \$ 255,479 | \$ 70,748 | \$ 34,412 | \$ 103,143 | \$ 206,882 |
| Agency's covered payroll | 426,140 | 410,403 | 406,523 | 282,530 | 268,771 | 334,665 | 533,610 | 565,850 | 542,261 | 506,582 |
| Agency's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 44.7% | 42.0% | 65.7% | -36.3% | 0.5% | 76.3% | 13.3% | 6.1% | 19.0% | 40.8% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 93.1% | 93.9% | 90.8% | 103.7% | 99.9% | 86.4% | 96.3% | 98.2% | 94.7% | 90.7% |

* 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 Ten Fiscal Years*

| | <u>2025</u> | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|-----------------|------------------|
| Contractually required contribution | \$ 76,558 | \$ 62,019 | \$ 53,481 | \$ 49,142 | \$ 40,833 | 51,886 | \$ 91,699 | \$ 104,804 | \$ 95,697 | \$ 112,269 |
| Contributions in relation to the contractually required contribution | <u>(76,558)</u> | <u>(62,019)</u> | <u>(53,481)</u> | <u>(49,142)</u> | <u>(40,833)</u> | <u>(51,886)</u> | <u>(91,699)</u> | <u>(104,804)</u> | <u>(95,697)</u> | <u>(112,269)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Agency's covered payroll | \$ 426,140 | \$ 410,403 | \$ 406,523 | \$ 282,530 | \$ 268,771 | \$ 334,665 | \$ 533,610 | \$ 565,850 | \$ 542,261 | \$ 506,582 |
| Contributions as a percentage of covered payroll | 17.97% | 15.11% | 13.16% | 17.39% | 15.19% | 15.50% | 17.18% | 18.52% | 17.65% | 22.16% |

* 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 Eight Fiscal Years

| | <u>2025</u> | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019**</u> | <u>2018**</u> |
|--|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|-------------------|
| Total OPEB Liability: | | | | | | | | |
| Service cost | \$ 32,620 | \$ 33,832 | \$ 31,458 | \$ 50,027 | \$ 39,491 | \$ 21,231 | \$ 36,091 | \$ 36,091 |
| Interest cost | 84,183 | 68,349 | 53,199 | 37,491 | 30,000 | 32,276 | 30,359 | 22,438 |
| Changes in assumptions and other inputs | 54,225 | 131,197 | 378,507 | (236,238) | (36,273) | 296,471 | - | - |
| Benefit payments | (41,866) | (41,866) | (41,858) | (432) | (432) | (432) | - | - |
| Differences between expected and actual experience | 141,662 | (38,568) | 218,694 | (1,500) | 256,346 | 25,746 | (3,164) | - |
| Net change in total OPEB liability | <u>270,824</u> | <u>152,944</u> | <u>640,000</u> | <u>(150,652)</u> | <u>289,132</u> | <u>375,292</u> | <u>63,286</u> | <u>58,529</u> |
| Total OPEB liability, beginning | 2,092,878 | 1,939,934 | 1,299,934 | 1,450,586 | 1,161,454 | 786,162 | 722,876 | 664,347 |
| Total OPEB liability, ending | <u>\$2,363,702</u> | <u>\$ 2,092,878</u> | <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 | 331,610 | 321,952 | 312,574 | 303,106 | 277,566 | 190,524 | 437,835 * | 437,835 |
| Total OPEB liability as a percentage of covered employee payroll | 712.80% | 650.06% | 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, 2025**

| | <u>Budgetary Amounts</u> | | <u>Actual Amounts</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|--------------------------|----------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Fees for services | \$ 939,800 | \$ 939,800 | \$ 1,111,349 | \$ 171,549 |
| Interest income | 27,500 | 27,500 | 59,349 | 31,849 |
| Intermunicipal services income | - | - | 44,124 | 44,124 |
| Total revenues | <u>967,300</u> | <u>967,300</u> | <u>1,214,822</u> | <u>247,522</u> |
| Expenses: | | | | |
| Salaries | 518,400 | 518,400 | 457,252 | 61,148 |
| Payroll taxes | 57,600 | 57,600 | 36,143 | 21,457 |
| Pension expense | 78,000 | 78,000 | 52,270 | 25,730 |
| Compensated absences | - | - | 13,192 | (13,192) |
| Health insurance | 140,000 | 140,000 | 83,355 | 56,645 |
| Workers compensation | 25,000 | 25,000 | 22,511 | 2,489 |
| Post-employment health benefits | - | - | 225,278 | (225,278) |
| Contractual and professional fees | 68,300 | 68,300 | 69,952 | (1,652) |
| Advertising | 10,000 | 10,000 | 5,000 | 5,000 |
| Rent | 34,800 | 34,800 | - | 34,800 |
| Office and related expenses | 14,900 | 14,900 | 16,661 | (1,761) |
| Meetings and travel | 13,800 | 13,800 | 6,127 | 7,673 |
| Dues and subscriptions | 4,500 | 4,500 | 3,696 | 804 |
| Interest expense - lease liability | - | - | 12,050 | (12,050) |
| Depreciation | 2,000 | 2,000 | 68,958 | (66,958) |
| Total expenses | <u>967,300</u> | <u>967,300</u> | <u>1,072,445</u> | <u>(105,145)</u> |
| Excess (deficiency) of revenues over (under) expenses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 142,377</u> | <u>\$ 142,377</u> |

The Agency reports financial position, results of operations and changes in net position on the basis of United States generally accepted accounting principles (U.S. GAAP), the budgetary basis is based primarily upon accounting for certain transactions on the basis of cash receipts and disbursements, resulting in significant variances.

**TOWN OF HEMPSTEAD
INDUSTRIAL DEVELOPMENT AGENCY**

**BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2024**

| | Budgetary Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|--|-------------------|------------|-------------------|--|
| | Original | Final | | |
| Revenues: | | | | |
| Fees for services | \$ 927,000 | \$ 927,000 | \$ 1,085,518 | \$ 158,518 |
| Interest income | 23,625 | 23,625 | 69,954 | 46,329 |
| Intermunicipal services income | - | - | 21,887 | 21,887 |
| Total revenues | 950,625 | 950,625 | 1,177,359 | 226,734 |
| Expenses: | | | | |
| Salaries | 517,657 | 517,657 | 444,576 | 73,081 |
| Payroll taxes | 57,518 | 57,518 | 35,136 | 22,382 |
| Pension expense | 70,000 | 70,000 | 83,895 | (13,895) |
| Compensated absences | - | - | 33,375 | (33,375) |
| Health insurance | 135,000 | 135,000 | 83,835 | 51,165 |
| Workers compensation | 25,000 | 25,000 | 23,045 | 1,955 |
| Post-employment health benefits | - | - | 192,848 | (192,848) |
| Contractual and professional fees | 67,500 | 67,500 | 87,975 | (20,475) |
| Advertising | 10,000 | 10,000 | 14,302 | (4,302) |
| Rent | 30,000 | 30,000 | 39,320 | (9,320) |
| Office and related expenses | 17,700 | 17,700 | 13,387 | 4,313 |
| Meetings and travel | 11,750 | 11,750 | 2,933 | 8,817 |
| Dues and subscriptions | 4,500 | 4,500 | 3,840 | 660 |
| Courtroom expenses | - | - | 80,709 | (80,709) |
| Depreciation | 4,000 | 4,000 | 3,140 | 860 |
| Total expenses | 950,625 | 950,625 | 1,142,316 | (191,691) |
| Excess (deficiency) of revenues over (under) expenses | | | | |
| | \$ - | \$ - | \$ 35,043 | \$ 35,043 |

The Agency reports financial position, results of operations and changes in net position on the basis of United States generally accepted accounting principles (U.S. GAAP), the budgetary basis is based primarily upon accounting for certain transactions on the basis of cash receipts and disbursements, resulting in significant variances.

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, 2025, 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 24, 2026.

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.

Sheehan & Company CPA, P.C

Brightwaters, New York
March 24, 2026