

**Town of Hempstead
Industrial Development Agency**

FINANCIAL REPORT

December 31, 2010

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Town of Hempstead Industrial Development Agency's (the Agency) financial performance provides an overview of the Agency's financial activities for the fiscal year ended December 31, 2010. Please read this in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights:

- The assets of the Agency exceeded its liabilities at December 31, 2010 by \$2,169,437.
- The Agency's total assets increased by \$81,580 in year 2010. The Agency's total liabilities increased by \$63,630 in year 2010.
- As of the close of the current year, the Agency reported net assets of \$2,169,437, an increase of \$17,950.

Basic Financial Statements:

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

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

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

	<u>2010</u>	<u>2009</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current assets	\$2,393,510	\$2,302,441	\$91,069	3.95%
Property and equipment	<u>100,918</u>	<u>110,407</u>	<u>(9,489)</u>	(8.59)
Total assets	<u>\$2,494,428</u>	<u>\$2,412,848</u>	<u>\$81,580</u>	3.38%
Current liabilities	\$ 53,192	\$ 30,462	\$22,730	74.62%
Long-term liabilities	<u>271,799</u>	<u>230,899</u>	<u>40,900</u>	17.71
Total liabilities	<u>324,991</u>	<u>261,361</u>	<u>63,630</u>	24.35
Net assets:				
Invested in capital assets	100,918	110,407	(9,489)	(8.59)
Unrestricted	<u>2,068,519</u>	<u>2,041,080</u>	<u>27,439</u>	13.44
Total net assets	<u>2,169,437</u>	<u>2,151,487</u>	<u>17,950</u>	0.83
Total liabilities and net assets	<u>\$2,494,428</u>	<u>\$2,412,848</u>	<u>\$81,580</u>	3.38%

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

	<u>2010</u>	<u>2009</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Total operating revenue	\$854,695	\$ 311,961	\$542,734	173.97%
Total operating expenses	<u>843,830</u>	<u>783,229</u>	<u>(60,601)</u>	7.74
Operating income (loss)	10,865	(471,268)	482,133	102.30
Non-operating revenues (expenses)	<u>7,085</u>	<u>30,463</u>	<u>(23,378)</u>	(76.74)
Change in net assets	<u>\$ 17,950</u>	<u>\$(440,805)</u>	<u>\$458,755</u>	104.07%

Analysis of Financial Position and Results of Operations:

- Cash and cash equivalents increased by \$90,569 from the prior year as a result of an increase in operating income, as well as an increase in liabilities.
- The Agency's 2010 net assets increased by \$17,950 from the net assets.
- The Agency purchased \$4,450 of property and equipment as the office space renovation was completed during 2010.
- Overall, operating expenses increased over the prior year. A fifth employee was hired and as a result, salaries and related costs, including payroll taxes and health insurance, increased from 2009. The New York State Retirement System contribution increased as the contribution rates increased for participants. The Agency did reduce its advertising spending and contractual and professional fees.
- The Agency shares space with the Town of Hempstead Local Development Corporation. The Agency received \$62,159 of administrative income from the Town of Hempstead Local Development Corporation, which represents reimbursed costs, including rent, wages and related benefits for a shared employee.

Analysis of Balances and Transactions:

- The Agency, an enterprise fund, reported net assets of \$2,169,437, which is \$17,950 higher than last year.

Budgetary Analysis:

- Fees for services were over budget by \$43,736. There were more closings during 2010 than were initially expected, and three projects with financing in excess of \$25,000,000.
- Interest income was under budget as interest rates continued to drop during 2010.
- Administrative income was not a budgeted revenue, as the arrangement between the Agency and the Town of Hempstead Local Development Corporation began during 2010.
- Salaries were over budget for 2010 as the Agency had an additional employee during the 2010 year.
- New York State Retirement System was over budget for 2010, as the required contribution rates to the Retirement System increased for the 2010 year.

**Town of Hempstead
Industrial Development Agency**

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

December 31, 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Town of Hempstead Industrial Development Agency

We have audited the accompanying financial statements and budgetary comparison schedules of the Town of Hempstead Industrial Development Agency (the Agency), a component unit of the Town of Hempstead, as of and for the years ended December 31, 2010 and 2009, as listed in the table of contents. These financial statements and budgetary comparison schedules are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements and budgetary comparison schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

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, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 23, 2011, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Directors
Town of Hempstead Industrial Development Agency
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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages i through iii and 22 through 23 and the schedule of funding progress on page 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Sheehan & Company CPA, P.C.

March 23, 2011

**Town of Hempstead
Industrial Development Agency**

BALANCE SHEETS

December 31, 2010 and 2009

ASSETS

	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 2,392,260	\$ 2,301,691
Prepaid expenses	750	750
Fees receivable	500	-
Total current assets	<u>2,393,510</u>	<u>2,302,441</u>
Property and equipment:		
Furniture and equipment	140,389	135,939
Less accumulated depreciation	39,471	25,532
Property and equipment, net	<u>100,918</u>	<u>110,407</u>
Total assets	<u>\$ 2,494,428</u>	<u>\$ 2,412,848</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 53,192	\$ 30,462
Total current liabilities	<u>53,192</u>	<u>30,462</u>
Long-term liabilities:		
Compensated absences	200,699	183,499
Post-employment health benefits	71,100	47,400
Total long-term liabilities	<u>271,799</u>	<u>230,899</u>
Total liabilities	<u>324,991</u>	<u>261,361</u>

See notes to financial statements

**Town of Hempstead
Industrial Development Agency**

BALANCE SHEETS

December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Net assets:		
Invested in capital assets	\$ 100,918	\$ 110,407
Unrestricted	<u>2,068,519</u>	<u>2,041,080</u>
Total net assets	<u>2,169,437</u>	<u>2,151,487</u>
Total liabilities and net assets	<u>\$ 2,494,428</u>	<u>\$ 2,412,848</u>

See notes to financial statements

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**Town of Hempstead
Industrial Development Agency**

STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Fees for services	\$ 792,536	\$ 311,961
Administrative income	<u>62,159</u>	<u>-</u>
Total operating income	<u>854,695</u>	<u>311,961</u>
Operating expenses:		
Salaries	433,179	377,255
Payroll taxes	31,874	25,159
New York State Retirement System	49,349	30,095
Compensated absences	17,200	12,489
Health insurance	47,094	36,561
Post-retirement health benefits	23,700	23,700
Contractual and professional fees	52,165	72,438
Advertising	100,230	127,787
Rent	28,200	23,764
Business development	15,000	16,000
Office and related expenses	16,396	13,429
Meetings and travel	12,893	13,751
Dues and subscriptions	2,611	785
Depreciation and amortization	<u>13,939</u>	<u>10,016</u>
Total operating expenses	<u>843,830</u>	<u>783,229</u>
Operating income (loss)	<u>10,865</u>	<u>(471,268)</u>
Non-operating income:		
Interest income	<u>7,085</u>	<u>30,463</u>
Change in net assets	17,950	(440,805)

See notes to financial statements

**Town of Hempstead
Industrial Development Agency**

STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Net assets, January 1	<u>\$ 2,151,487</u>	<u>\$ 2,592,292</u>
Net assets, December 31	<u>\$ 2,169,437</u>	<u>\$ 2,151,487</u>

See notes to financial statements

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**Town of Hempstead
Industrial Development Agency**

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received:		
From providing services	\$ 854,195	\$ 313,531
Cash payments:		
Contractual services	(271,790)	(309,699)
Personal services and employee benefits	<u>(494,471)</u>	<u>(426,586)</u>
Net cash provided (used) by operating activities	<u>87,934</u>	<u>(422,754)</u>
Cash flows from investing activities:		
Acquisition of furniture and equipment	(4,450)	(115,449)
Interest income	<u>7,085</u>	<u>30,463</u>
Net cash provided (used) by investing activities	<u>2,635</u>	<u>(84,986)</u>
Net increase (decrease) in cash and cash equivalents	90,569	(507,740)
Cash and cash equivalents, January 1	<u>2,301,691</u>	<u>2,809,431</u>
Cash and cash equivalents, December 31	<u>\$ 2,392,260</u>	<u>\$ 2,301,691</u>
Reconciliation of operating income to net cash provided (used) in operating activities:		
Operating income (loss)	\$ 10,865	\$ (471,268)

See notes to financial statements

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**Town of Hempstead
Industrial Development Agency**

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	\$ 13,939	\$ 10,016
Change in assets and liabilities:		
(Increase) decrease in assets:		
Prepaid expenses	-	350
Fee receivable	(500)	1,000
Other receivable	-	570
Increase (decrease) in liabilities:		
Accrued expenses	22,730	389
Compensated absences	17,200	12,489
Post-retirement health benefits	<u>23,700</u>	<u>23,700</u>
Total adjustments	<u>77,069</u>	<u>48,514</u>
Net cash provided (used) by operating activities	<u>\$ 87,934</u>	<u>\$ (422,754)</u>

See notes to financial statements

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Town of Hempstead Industrial Development Agency

NOTES TO FINANCIAL STATEMENTS

1. **Summary of significant accounting policies:**

The financial statements of the Town of Hempstead Industrial Development Agency (the Agency) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Financial reporting entity: The Agency was created in 1971 by the Town Board of the Town of Hempstead, under the provisions of the Laws of New York State. The Agency is authorized and empowered by the provisions of Article 18-A of the General Municipal Law of the State of New York, as amended, and Chapter 529 of the Laws of 1971 of the State of New York to undertake projects and to lease or sell properties. The purpose of the Agency is to provide benefits that reduce costs and financial barriers to the creation and to the expansion of business and enhance the number of jobs in the Town of Hempstead.

The Agency is governed by a seven member Board of Directors whose members are appointed by the Town of Hempstead Town Board and is considered a component unit of the Town of Hempstead.

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

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

Basis of accounting: The Agency utilizes the accrual basis of accounting and the flow of all economic resources (measurement focus). The basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises, and revenues are recorded when earned and expenses are recorded when incurred. Under this basis of accounting and measurement focus, the Agency applies all GASB pronouncements and GAAP, except those that conflict with a GASB pronouncement.

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

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

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

Cash and cash equivalents: For purposes of the Statements of Cash Flows, investments with maturities of three months or less when purchased are considered cash equivalents.

Property and equipment: Property and equipment is stated at cost and is being depreciated using the straight-line method over the useful lives of the assets, which are 5 and 15 years.

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

- a. **Invested in capital assets, net of related debt:** Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. **Restricted net assets:** Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- c. **Unrestricted net assets:** All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Advertising costs: Advertising costs are charged to operations when incurred. Advertising costs for the years ended December 31, 2010 and 2009 are \$100,230 and \$127,787, respectively.

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

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

2. Conduit debt obligations, Industrial Revenue Bond transactions:

The Agency issues Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial, recreational and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Agency, the State, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2010 and 2009, outstanding debt induced by the Agency and issued by other entities amount to approximately \$366,015,569 and \$377,854,820, respectively. Debt service is paid directly to the lender by the entity that incurred the supplemental debt. The Agency has no liability or contingent liability for payment.

3. Payments in lieu of taxes and funds due to municipalities:

The Town of Hempstead Comptroller's Office collects the payments in lieu of taxes (PILOT) from the borrowing companies. The receipts are deposited into the Town of Hempstead Comptroller's Office's bank account and subsequently disbursed to the appropriate taxing jurisdictions.

4. Cash and cash equivalents:

The statutes of the State of New York govern the Agency's investment policies. Agency monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. The Treasurer is authorized to use demand accounts and invest in certificates of deposit. Permissible investments include obligations of the U.S. Treasury and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit at 100% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts.

GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

4. Cash and cash equivalents (continued):

- 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, 2010, the Agency's bank balances were \$2,398,069. This amount is exclusive of petty cash of \$64. Of the bank balances, \$1,047,400 were covered by federal deposit insurance and \$1,350,669 was secured by collateral held by the pledging financial institution's agent, a third-party financial institution, but not in the Agency's name.

5. Lease obligations:

The Agency leases its office space from the Town of Hempstead in the building located at 350 Front Street, Suite 240, Hempstead, New York. Rent expense for the years ended December 31, 2010 and 2009 was \$28,200 and \$23,764, respectively.

The Agency pays rent in accordance with an agreed upon month-to-month lease negotiated with the Department of General Services of the Town of Hempstead, which is in effect for the year ended December 31, 2010.

6. Property and equipment:

Activity for capital assets is summarized as follows:

	Balance December <u>31,</u>	<u>Additions</u>	<u>Deletions</u>	Balance December <u>31, 2010</u>
Equipment	\$ 15,272	\$ -	\$ -	\$ 15,272
Furniture and fixtures	26,703	-	-	26,703
Leasehold improvements	<u>93,964</u>	<u>4,450</u>	<u>-</u>	<u>98,414</u>
	135,939	4,450	-	140,389
Less accumulated depreciation	<u>(25,532)</u>	<u>(13,939)</u>	<u>-</u>	<u>(39,471)</u>
Net	<u>\$110,407</u>	<u>\$ (9,489)</u>	<u>\$ -</u>	<u>\$100,918</u>

Depreciation expense for the years ending December 31, 2010 and 2009 was \$13,939 and \$10,016, respectively.

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

7. **Pension plan:**

Plan description: The Agency participates in the New York State and Local Employees' Retirement System (ERS), and the Public Employees' Group Life Insurance Plan (Systems). These are cost sharing, multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

Funding policy: The Systems are noncontributory except for employees who joined the New York State and ERS after July 27, 1976 who contribute 3% of their salary for the first ten years of membership and employees who joined on or after January 1, 2010 (ERS) who generally contribute 3% of their salary for the entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressed 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% of the contributions required, and were as follows:

2010	\$49,349
2009	30,097
2008	28,808

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

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

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

7. Pension plan (continued):

Funding policy (continued):

- For SFY 2007-08, the amount in excess of 10.50% of employees' covered pensionable salaries.

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

Chapter 57 of the Laws of 2010 of the State of New York was enacted that allows local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:

- For SFY 2010-11, the amount in excess of the graded rate of 9.5% of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.
- For subsequent SFY's, the graded rate will increase or decrease by up to 1% depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.
- For subsequent SFY's in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

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

8. Liability for compensated absences:

The Agency, in conformity with the Town of Hempstead, maintains a policy which permits employees to accumulate a limited amount of earned but unused vacation leave and sick time, which will be used in future years or paid upon separation from the Agency's service. Upon termination, an employee will be paid for a maximum of 640 hours of vacation time.

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

8. Liability for compensated absences (continued):

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

The liability for compensated absences as of December 31, 2010 is as follows:

Balance, January 1	\$183,499
Additions (deletions)	<u>17,200</u>
Balance, December 31	<u>\$200,699</u>

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

9. Expenses and fees for bonds and straight leases:

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

The Agency's minimum fees are as follows:

- Application fee:** The Agency charges a non-refundable fee of \$1,500 at the time of receiving a formal application for assistance.
- 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 \$30,000,000	0.6%
\$30,000,000 and over	0.1%

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

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

Administrative fee (continued):

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

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

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

	<u>Minimum Amount</u>
Extension of inducement	\$250
Amendments, waivers, subordinate and collateral mortgage assignments, consents, leases and sub-leases, etc.	500
Termination fee	500

Percentage of value

Refinance bonds	0.600%
Assumption of outstanding bonds	0.125%

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

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

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

10. Post-employment health insurance benefit plan:

Plan description: During 2008, the Agency established a post-employment health insurance benefit plan for retired employees of the Agency. The plan is a single-employer defined benefit health insurance plan administered by the Agency. The plan provides health insurance coverage to all eligible retirees and their eligible dependents. For a retiree to be eligible, he/she should have a minimum of 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. There is currently one active participant in the plan. All financial activities of the plan are included in the financial statements of the Agency. The plan does not issue a separate financial report.

Funding policy: The plan is non-contributory for employees and retirees. The funding requirements of the plan are met by contributions from the Agency. For 2010, the Agency's annual other post-employment benefit cost was \$23,700. In 2010, the Agency made no contributions to the plan. At December 31, 2010, the plan is underfunded.

Annual OPEB cost and net OPEB obligation: The Agency's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following shows the components of the Agency's annual OPEB cost for 2010, the amount actually contributed to the plan, and changes in the Agency's net OPEB obligation to the plan:

Annual required contribution	\$23,700
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	23,700
Contributions made	-
Increase in net OPEB obligation	23,700
Net OPEB obligation - beginning of year	47,400
Net OPEB obligation - end of year	\$71,100

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

10. Post-employment Health Insurance Benefit Plan (continued):

Annual OPEB cost and net OPEB obligation (continued):

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010, 2009 and 2008 was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/08	\$23,700	0%	\$23,700
12/31/09	\$23,700	0%	\$47,400
12/31/10	\$23,700	0%	\$71,100

Funded status and funding progress: As of January 1, 2008, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$255,700, and the actuarial value of assets earmarked for benefits was \$-0-, resulting in an underfunding in the amount of \$255,700.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions: Projections of benefits for financial reporting purposes are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and plan members) at the time of each valuation and on the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of

**Town of Hempstead
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NOTES TO FINANCIAL STATEMENTS

10. Post-employment Health Insurance Benefit Plan (continued):

Actuarial methods and assumptions (continued):

short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial methods:

Actuarial cost method: Projected Unit Credit Cost Method

Method used to determine the actuarial value of assets: Market Value

Assumptions:

Discount rate: 4.0%

Investment return: not applicable

Projected salary increases: not applicable

Healthcare cost trend rate:

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

Retirement rates:
(including post age 55 disability)

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

10. Post-employment Health Insurance Benefit Plan (continued):

Assumptions (continued):

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

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

Benefit plan participation percentage:

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

Amortization method: A 30 year amortization period is being used. The remaining amortization period at December 31, 2010 is 27 years.

11. Related party transactions:

The Agency shares its office space with the Town of Hempstead Local Development Corporation (the Corporation), a related party. The Agency and the Corporation have the same executive and deputy executive directors.

**Town of Hempstead
Industrial Development Agency**

NOTES TO FINANCIAL STATEMENTS

11. Related party transactions (continued):

In addition to office space, the Corporation also utilizes services of employees of the Agency. The Agency and the Corporation have an agreement in which the Corporation reimburses the Agency for rent, supplies, wages and related payroll costs. This reimbursement to the Agency is recorded as administrative income. Amounts paid to the Agency as administrative income for the years ended December 31, 2010 and 2009 were \$62,159 and \$-0-, respectively.

**Town of Hempstead
Industrial Development Agency**

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2010

	<u>Budgetary Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fees for services	\$ 748,800	\$ 748,800	\$ 792,536	\$ 43,736
Administrative income	-	-	62,159	62,159
Interest income	<u>55,000</u>	<u>55,000</u>	<u>7,085</u>	<u>(47,915)</u>
 Total revenues	 <u>803,800</u>	 <u>803,800</u>	 <u>861,780</u>	 <u>57,980</u>
 Expenses:				
Salaries	384,250	384,250	433,179	(48,929)
Payroll tax	30,000	30,000	31,874	(1,874)
New York State Retirement System	31,300	31,300	49,349	(18,049)
Compensated absences	32,000	32,000	17,200	14,800
Health insurance	37,300	37,300	47,094	(9,794)
Post-retirement health benefits	-	-	23,700	(23,700)
Contractual and professional fees	72,100	72,100	52,165	19,935
Advertising	112,100	112,100	100,230	11,870
Rent	29,000	29,000	28,200	800
Business development	20,000	20,000	15,000	5,000
Office and related expenses	18,150	18,150	16,396	1,754
Meetings and travel	14,200	14,200	12,893	1,307
Dues and subscriptions	3,400	3,400	2,611	789
Depreciation and amortization	<u>20,000</u>	<u>20,000</u>	<u>13,939</u>	<u>6,061</u>
 Total expenses	 <u>803,800</u>	 <u>803,800</u>	 <u>843,830</u>	 <u>(40,030)</u>
 Excess (deficiency) of revenues over (under) expenses	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 17,950</u>	 <u>\$ 17,950</u>

**Town of Hempstead
Industrial Development Agency**

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2009

	<u>Budgetary Amounts</u>		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Fees for services	\$ 685,900	\$ 685,900	\$ 311,961	\$ (373,939)
Interest income	65,000	65,000	30,463	(34,537)
Appropriated fund balance	20,693	20,693	-	(20,693)
Total revenues	<u>771,593</u>	<u>771,593</u>	<u>342,424</u>	<u>(429,169)</u>
Expenses:				
Salaries	347,000	347,000	377,255	(30,255)
Payroll tax	26,800	26,800	25,159	1,641
New York State Retirement System	30,000	30,000	30,095	(95)
Compensated absences	28,000	28,000	12,489	15,511
Health insurance	36,000	36,000	36,561	(561)
Post-retirement health benefits	25,000	25,000	23,700	1,300
Contractual and professional fees	72,438	72,438	72,438	-
Advertising	128,700	128,700	127,787	913
Rent	25,100	25,100	23,764	1,336
Business development	16,440	16,440	16,000	440
Office and related expenses	13,935	13,935	13,429	506
Meetings and travel	15,730	15,730	13,751	1,979
Dues and subscriptions	3,450	3,450	785	2,665
Depreciation and amortization	3,000	3,000	10,016	(7,016)
Total expenses	<u>771,593</u>	<u>771,593</u>	<u>783,229</u>	<u>(11,636)</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (440,805)</u>	<u>\$ (440,805)</u>

**Town of Hempstead
Industrial Development Agency**

**POST-EMPLOYMENT HEALTH INSURANCE BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2008	\$ -	\$ 255,700	\$ 255,700	0.0%	N/A	N/A