

**Town of Hempstead
Local Development Corporation**

FINANCIAL STATEMENTS

December 31, 2011

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437 Madison Avenue, 29th Floor
New York, NY 10022 • 212.962.4470
165 Orinoco Drive, Brightwaters, NY 11718
631.665.7040 • Fax: 631.665.7014
15 South Bayles Avenue, Port Washington, NY 11050
516.883.5510 • Fax: 516.767.7438

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Town of Hempstead Local Development Corporation

We have audited the accompanying statements of financial position of the Town of Hempstead Local Development Corporation (the Corporation), a component unit of the Town of Hempstead, as of December 31, 2011 and 2010 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2011 and 2010 and the respective changes in financial position and 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 our report dated March 24, 2012 on our consideration of the Corporation'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.


March 24, 2012

**Town of Hempstead
Local Development Corporation**

STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets:		
Cash and cash equivalents	\$ 708,023	\$ 336,227
Property and equipment, net	<u>2,542</u>	<u>3,451</u>
Total assets	<u>\$ 710,565</u>	<u>\$ 339,678</u>
Liabilities	\$ -	\$ -
Net assets:		
Unrestricted	<u>710,565</u>	<u>339,678</u>
Total net assets	<u>710,565</u>	<u>339,678</u>
Total liabilities and net assets	<u>\$ 710,565</u>	<u>\$ 339,678</u>

See notes to financial statements

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**Town of Hempstead
Local Development Corporation**

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Fees for services	\$ 404,389	\$ 5,222
Operating expenses:		
Administrative expense	-	62,159
Salaries	-	11,146
Rent	5,135	-
Business development	8,250	-
Payroll taxes	-	946
Compensated absences	-	(2,795)
Health insurance	-	3,840
Contractual and professional fees	17,438	21,535
Advertising	150	12,028
Office and related expenses	1,548	2,715
Telephone expense	245	-
Meetings and travel	375	8,313
Dues and subscriptions	-	1,350
Depreciation and amortization	909	909
Total operating expenses	<u>34,050</u>	<u>122,146</u>
Operating income (loss)	<u>370,339</u>	<u>(116,924)</u>
Non-operating income:		
Interest income	<u>548</u>	<u>1,122</u>
Change in net assets	370,887	(115,802)
Net assets, January 1	<u>339,678</u>	<u>455,480</u>
Net assets, December 31	<u>\$ 710,565</u>	<u>\$ 339,678</u>

See notes to financial statements

**Town of Hempstead
Local Development Corporation**

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ <u>370,887</u>	\$ <u>(115,802)</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	909	909
Increase (decrease) in liabilities:		
Accrued expenses	-	(973)
Compensated absences	-	<u>(2,795)</u>
Total adjustments to net income	<u>909</u>	<u>(2,859)</u>
Net cash provided (used) by operating activities	<u>371,796</u>	<u>(118,661)</u>
Net increase (decrease) in cash and cash equivalents	371,796	(118,661)
Cash and cash equivalents, January 1	<u>336,227</u>	<u>454,888</u>
Cash and cash equivalents, December 31	<u>\$ 708,023</u>	<u>\$ 336,227</u>

See notes to financial statements

Town of Hempstead Local Development Corporation

NOTES TO FINANCIAL STATEMENTS

1. Nature of activities:

The Town of Hempstead Local Development Corporation (the Corporation) was created in 1966 by the Town Board of the Town of Hempstead, under the provisions of the Laws of New York State. The purpose of the Corporation is to relieve and reduce unemployment, promote and provide for additional and maximum employment, improve and maintain job opportunities, instruct or train individuals to improve or develop their capabilities for such jobs, carry on scientific research for the purpose of aiding the Town of Hempstead by attracting new industry, through the encouragement of the development of or retention of an industry and lessen the burdens of the government, while acting in the public interest.

The Corporation is governed by a 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.

2. Summary of significant accounting policies:

An understanding of the Corporation's practices will facilitate the review of the financial statements.

Basis of accounting: The financial statements of the Corporation have been prepared on the accrual basis of accounting and, accordingly, revenues are recorded when earned and expenses are recorded when incurred.

Basis of presentation: Financial statement presentation follows the recommendations of generally accepted accounting principles. In accordance with generally accepted accounting principles, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

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.

Income tax status: The Corporation was duly established under Sections 402 and 1411 of the Not-For-Profit Corporation Law and is a corporate governmental agency performing an essential governmental function. The income of the Corporation is excludable from gross income under Section 115 (i) of the Internal Revenue Code and, accordingly, these financial statements do not reflect a provision for income taxes.

**Town of Hempstead
Local Development Corporation**

NOTES TO FINANCIAL STATEMENTS

2. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Property and equipment: Property and equipment are stated at cost. It is the Corporation's policy to capitalize any expenditures with an estimated useful life of greater than one year.

Depreciation: Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

Advertising costs: Advertising costs are charged to operations when incurred. Advertising costs for the years ended December 31, 2011 and 2010 are \$150 and \$12,028, respectively.

Subsequent events: Subsequent events have been evaluated through March 24, 2012, which is the date the financial statements were available to be issued.

3. Conduit debt obligations, bond transactions:

The Corporation issues tax-exempt bonds to provide financial assistance to non-profit 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 Corporation, 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, 2011 and 2010, outstanding debt induced by the Corporation and issued by other entities amount to approximately \$194,141,733 and \$81,075,000, respectively. Debt service is paid directly to the lender by the entity that incurred the supplemental debt. The Corporation has no liability or contingent liability for payment.

**Town of Hempstead
Local Development Corporation**

NOTES TO FINANCIAL STATEMENTS

4. Cash and cash equivalents:

The Corporation maintains cash accounts with one bank. At December 31, 2011, interest bearing accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation and non-interest bearing accounts are insured fully under the Temporary Liquidity Guarantee Program. From time to time during the year, balances may exceed the insured amount.

5. Property and equipment:

Property and equipment, net is summarized as follows:

	<u>2011</u>	<u>2010</u>
Machinery and equipment	\$ 2,074	\$ 2,074
Furniture and fixtures	<u>2,472</u>	<u>2,472</u>
	4,546	4,546
Less accumulated depreciation	<u>(2,004)</u>	<u>(1,095)</u>
Property and equipment, net	<u>\$ 2,542</u>	<u>\$ 3,451</u>

Depreciation expense for the years ending December 31, 2011 and 2010 was \$909 and \$909, respectively.

6. Related party transactions:

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

The Agency and the Corporation have an agreement in which the Corporation reimburses the Agency for shared costs, including office space, supplies and telephone. In the prior year, the Corporation recorded this reimbursement to the Agency as an administrative expense, which included wages and related payroll costs. In the current year, these expenses have been reflected in the appropriate expense categories. Amounts paid to the Agency for the years ended December 31, 2011 and 2010 were \$5,699 and \$62,159, respectively.



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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 Local Development Corporation

We have audited the financial statements of the Town of Hempstead Local Development Corporation (the Corporation), as of and for the year ended December 31, 2011 and have issued our report thereon dated March 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures 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 Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

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 entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We identified certain deficiencies in internal control over financial reporting, described on the next page, that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We believe that the significant deficiency described on the next page is a material weakness.

- Controls over the financial reporting process as they pertain to the preparation of the financial statements, including the related disclosures. The Corporation does not have a certified public accountant or other qualified professional on staff who would be capable of preparing the Corporation's financial statements in accordance with generally accepted accounting principles. After careful consideration, the Corporation acknowledges that cost considerations prohibit having a certified public accountant on staff. This deficiency will be mitigated by other means.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Corporation's response to the findings identified in our audit is described above. We did not audit the Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.



March 24, 2012