

Local Development Corporation
Audit Committee Meeting Notice
8:50 a.m., IDA/LDC Office
March 29, 2016

Members: Ari Brown, Chairman, Ted Sasso, Danny Grodotzke, John Ryan,
Mike Lodato, Fred Parola

- Adoption of 2015 Audited Financial Statements
- Adoption of 2015 Audited Financial Report

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**Town of Hempstead
Local Development Corporation**

FINANCIAL STATEMENTS

December 31, 2015 and 2014

Draft

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Town of Hempstead Local Development Corporation

We have audited the accompanying financial statements of the Town of Hempstead Local Development Corporation (the Corporation), which comprise the statements of financial position as of December 31, 2015 and 2014 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Directors
Town of Hempstead Local Development Corporation
Page 2

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Corporation as of December 31, 2015 and 2014 and the respective changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March XX, 2016 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* in considering the Corporation's internal control over financial reporting and compliance.

Brightwaters, New York
March XX, 2016

**Town of Hempstead
Local Development Corporation**

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets:		
Cash and cash equivalents	\$ 1,499,345	\$ 1,517,328
Due from Town of Hempstead Industrial Development Agency	-	9,914
Property and equipment, net	<u>133</u>	<u>209</u>
Total assets	<u>\$ 1,499,478</u>	<u>\$ 1,527,451</u>
Liabilities:		
Accrued expenses	<u>\$ 8,825</u>	<u>\$ 3,277</u>
Total liabilities	<u>8,825</u>	<u>3,277</u>
Net assets:		
Unrestricted	<u>1,490,653</u>	<u>1,524,174</u>
Total net assets	<u>1,490,653</u>	<u>1,524,174</u>
Total liabilities and net assets	<u>\$ 1,499,478</u>	<u>\$ 1,527,451</u>

See notes to financial statements

**Town of Hempstead
Local Development Corporation**

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Fees for services	\$ 10,000	\$ 332,425
Operating expenses:		
Rent	6,040	6,040
Business development	17,500	17,500
Contractual and professional fees	11,410	13,102
Advertising	5,720	-
Office and related expenses	1,476	931
Telephone expense	433	350
Meetings and travel	866	56
Depreciation and amortization	76	799
Total operating expenses	<u>43,521</u>	<u>38,778</u>
Change in unrestricted net assets from operations	<u>(33,521)</u>	<u>293,647</u>
Non-operating income:		
Reimbursed expenses	<u>-</u>	<u>26,904</u>
Change in net assets	<u>(33,521)</u>	<u>320,551</u>
Net assets, January 1	<u>1,524,174</u>	<u>1,203,623</u>
Net assets, December 31	<u>\$ 1,490,653</u>	<u>\$ 1,524,174</u>

See notes to financial statements

**Town of Hempstead
Local Development Corporation**

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (33,521)	\$ 320,551
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	76	799
Decrease in fees receivable	-	1,075
(Increase) decrease in due from Town of Hempstead Industrial Development Agency	9,914	(9,914)
Increase in accrued expenses	<u>5,548</u>	<u>3,277</u>
Total adjustments to change in net assets	<u>15,538</u>	<u>(4,763)</u>
Net cash provided (used) by operating activities	<u>(17,983)</u>	<u>315,788</u>
Net increase (decrease) in cash and cash equivalents	(17,983)	315,788
Cash and cash equivalents, January 1	<u>1,517,328</u>	<u>1,201,540</u>
Cash and cash equivalents, December 31	<u>\$ 1,499,345</u>	<u>\$ 1,517,328</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.

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.

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Corporation, the environment in which it operates, and the purposes specified in its corporate documents. All of the Corporation's net assets are classified as unrestricted at December 31, 2015 and 2014.

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Permanently restricted net assets are resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The Corporation does not have any temporarily or permanently restricted net assets at December 31, 2015 or 2014.

**Town of Hempstead
Local Development Corporation**

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued):

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 quasi-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.

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, 2015 and 2014 are \$5,720 and \$-0-, respectively.

Subsequent events: Subsequent events have been evaluated through ~~March XX, 2016~~, which is the date the financial statements were available to be issued.

3. Functional classification of expenses:

Expenses by function for the years ended December 31, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Supporting Services:		
Management and general	\$43,521	\$38,778

**Town of Hempstead
Local Development Corporation**

NOTES TO FINANCIAL STATEMENTS

4. 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, 2015 and 2014, outstanding debt induced by the Corporation and issued by other entities amount to approximately \$xxxxxxx and \$380,035,729, 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.

5. Cash and cash equivalents:

The Corporation maintains cash accounts with one bank. At December 31, 2015, the balances of cash accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation.

At December 31, 2015, the Corporation's bank balances were \$1,499,345. Of that total, \$250,000 was covered by the Federal Deposit Insurance Corporation and \$1,249,345 was secured by collateral held by the pledging financial institution's agent, a third-party financial institution, but not in the Corporation's name.

6. Property and equipment:

Property and equipment, net is summarized as follows:

	<u>2015</u>	<u>2014</u>
Machinery and equipment	\$ 2,454	\$ 2,454
Furniture and fixtures	<u>2,472</u>	<u>2,472</u>
	4,926	4,926
Less accumulated depreciation	<u>(4,793)</u>	<u>(4,717)</u>
Property and equipment, net	<u>\$ 133</u>	<u>\$ 209</u>

Depreciation expense for the years ending December 31, 2015 and 2014 was \$76 and \$799, respectively.

**Town of Hempstead
Local Development Corporation**

NOTES TO FINANCIAL STATEMENTS

7. 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. These expenses have been reflected in the appropriate expense categories. Amounts reimbursed to the Agency for the years ended December 31, 2015 and 2014 were \$6,750 and \$6,657, respectively. In addition, during the year ended December 31, 2015, the Corporation reimbursed the Agency for \$5,500 for advertising expenses. At December 31, 2015 and 2014, the Corporation owed \$8,825 and \$3,277, respectively, to the Agency, which is reflected on the Statements of Financial Position as accrued expenses.

During the year ended December 31, 2014, the Agency passed a resolution to reimburse the Corporation for prior years' salary and related payroll taxes when the Corporation had an employee. This amount was determined to be \$26,904, \$9,914 of which is shown on the Corporation's 2014 Statement of Financial Position as due from Town of Hempstead Industrial Development Agency.

**Town of Hempstead
Local Development Corporation**

**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**

December 31, 2015



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**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 Local Development Corporation

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 Local Development Corporation (the Corporation), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March XX, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
Town of Hempstead Local Development Corporation
Hempstead, New York

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation'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 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*.

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 organization'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brightwaters, New York
March XX, 2016

**Town of Hempstead
Local Development Corporation**

**COMMUNICATION WITH THOSE CHARGED
WITH GOVERNANCE**

December 31, 2015



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March XX, 2016

To the Board of Directors
Town of Hempstead Local Development Corporation
Hempstead, New York

We have audited the financial statements of the Town of Hempstead Local Development Corporation (the Corporation) for the year ended December 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated December 28, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the Corporation for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

To the Board of Directors
Town of Hempstead Local Development Corporation
Hempstead, New York
Page 2

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We noted no misstatements during the audit.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March XX, 2016.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

During our audit, we became aware of a matter relating to segregation of duties that we believe should be communicated to the management of the Corporation. The matter of segregation of duties is discussed in the following paragraph.

To the Board of Directors
Town of Hempstead Local Development Corporation
Hempstead, New York
Page 3

Segregation of Duties

The size of the Corporation's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. The Executive Director is encouraged to periodically review all work done by staff members.

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

Brightwaters, New York
March XX, 2016