

**Audit Committee Meeting
IDA/LDC Offices, Room 234A
350 Front Street, Hempstead, NY 11550
AGENDA
Thursday, March 24, 2022, 8:30 AM**

*Note: Visitors to the Town of Hempstead are encouraged to wear masks and socially distance if unvaccinated.

Members: Robert Bedford, Chairman, Eric Mallette, Jack Majkut, Mike Lodato, Fred Parola and Jerry Kornbluth

- Adoption of Annual Financial Report
- Adoption of Audited Financial Statements

Contact: Michael Lodato, Corporate Administrator
MLodato@tohmail.org
516-489-5000 x3706

| Jobs planned to be created over course of Bonds | Date Bonds Issued | Outstanding Bonds | Bond Interest Rate | Bond's Expect Retired | Am't Principal Retired Previous to 21' | Am't of Principal Retired 21' |
|---|-------------------|-------------------|--------------------|-----------------------|--|-------------------------------|
| 0 | 6/15/2011 | 0.00 | 2-3.50% | 8-31-2032 | \$8,163,000 | 16,835,000.00 |
| 5 | 11/14/2013 | 40,345,000 | 3-5* | 9/1/2043 | 3,700,000 | 1,035,000 |
| 0 | 9/30/2014 | 27,450,000.00 | 4* | 10/1/2035 | 4,675,000 | 1,410,000.00 |
| 16 | 11/14/2014 | 27,635,000.00 | 3* | 7/1/2044 | 1,730,000 | 635,000.00 |
| 36 | 12/20/2011 | 6,000 | 4-5* | 7/1/2041 | 496,500 | 654,500 |
| 3 | 6/20/2013 | 48,335,000.00 | 4.50* | 7/1/2033 | 16,470,000 | 1,690,000 |
| 0 | 7/24/2012 | 6,070,000.00 | 3-4.25* | 7/24/2042 | 4,030,000 | 530,000 |
| RETIRED | 7/24/2012 | 0.00 | 3-4.25* | 7/24/2042 | RETIRED | RETIRED |
| 0 | 5/17/2017 | 50,680,000.00 | 3- | 7/1/2047 | 2,875,000 | 965,000 |
| 0 | 7/7/2017 | \$38,335,000 | 3-5* | 7/1/2039 | 3,620,000 | 1,295,000.00 |
| 91.5 | 8/10/2017 | \$35,900,000.00 | 5 | 2-1/2047 | 0 | 0 |
| 0 | 8/10/2017 | \$1,340,000.00 | 5-0* | 2/1/2024 | 553,000 | 590,000.00 |
| 1.5 | 10/18/2018 | \$14,350,000.00 | 5* | 7/1/2048 | 400,000 | 250,000 |
| 41 | 6/26/2018 | 19,520,000.00 | 6- | 2-1/2048 | 0 | 0 |
| 0 | 6/26/2018 | 1,845,000.00 | 6- | 2-1/2027 | 0 | 100,000 |
| 0 | 5/9/2019 | \$23,340,000 | 4.00* | 2/1/39 | 805,000 | 840,000.00 |
| 21 | 8/8/2019 | 2,470,000 | 6.1 | 12/1/21 | 0 | 0 |
| 8.8 | 8/8/2019 | 11,170,000 | 6.8 | 12/1/2044 | 0 | 0 |
| 8.8 | 8/8/2019 | 2,010,000 | 6.25 | 12/1/2025 | 375,000.00 | 255,000 |
| 60.5 | 7/1/2020 | \$13,860,000 | 4.70% - 5.75% | 2/1/2050 | 0 | 0 |
| 17.5 | 7/1/2020 | 21,985,000.00 | 4.70% - 5.66% | 2/1/2044 | 0 | 150,000 |
| 0 | 7/1/2020 | \$945,000 | 0* | 2/1/2022 | 0 | 0 |
| 0 | 3/31/2021 | \$13,380,000 | 5* | 6/1/2032 | 0 | 140,000 |
| 108 | 5/27/2021 | \$43,965,000.00 | 4.05 - 4.6* | 2/1/2051 | 0 | 0 |
| 5/27/2021 | 5/27/2021 | \$650,000.00 | 5* | 2/1/2025 | 0 | 0 |
| 45 | 5/27/2021 | \$90,930,000 | 3-3* | 7/1/2051 | 0 | 0 |
| 5/27/2021 | 5/27/2021 | \$12,320,000.00 | 2-3* | 7/1/2035 | 0 | 0 |

**Town of Hempstead
Local Development Corporation**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Town of Hempstead Local Development Corporation (the Corporation), a component unit of the Town of Hempstead, New York, as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements, which collectively comprise the Corporation'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 Corporation as of December 31, 2021 and 2020 and the changes in its 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 Corporation 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 Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standard* 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 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 judgement 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 Corporation'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

To the Board of Directors
Town of Hempstead Local Development Corporation
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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 the Management's Discussion and Analysis on pages 4 through 7 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 audits 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation'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 Corporation's internal control over financial reporting and compliance.

Sheehan & Company CPA, P.C.

Brightwaters, New York
March 2, 2022

Town of Hempstead Local Development Corporation

Management's Discussion and Analysis Unaudited

Management's Discussion and Analysis

This section represents Management's Discussion and Analysis (MD&A) of the Town of Hempstead Local Development Corporation's (the Corporation), a component unit of the Town of Hempstead, financial condition and activities for the years ended December 31, 2021 and 2020. Please read this information in conjunction with the financial statements.

Financial Highlights - 2021 and 2020:

- The assets of the Corporation exceeded its liabilities at the close of 2021 and 2020 by \$2,065,151 and \$2,413,048, respectively. These funds are unrestricted and available to maintain the Corporation's continuing obligations.
- The Corporation's total net position decreased by \$347,897 for the year ended December 31, 2021 and increased by \$75,406 for the year ended December 31, 2020.

Overview:

The MD&A serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the Corporation's financial condition and performance.

The financial statements report information about the Corporation, which is a self-supporting entity that follows enterprise-type fund reporting. The Corporation applies full accrual accounting methods as used by similar business activities in the private sector. These statements offer short and long-term financial information.

The financial statements include statements of net position, statements of revenues, expenses and changes in net position, statements of cash flows and notes to the financial statements. The statements of net position include all of the Corporation's assets and liabilities, with the difference reported as net position.

The statements of revenues, expenses and changes in net position present the results of the Corporation's activities over the course of the year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The statements of cash flows present changes in cash and cash equivalents resulting from operating and other activities.

Town of Hempstead Local Development Corporation

Management's Discussion and Analysis Unaudited

The notes to the financial statements provide required disclosure and other information that is essential to a full understanding of material data provided in the statements. The notes present information about the Corporation's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Financial Analysis of the Corporation:

The statements of net position and the statements of revenues, expenses and changes in net position provide useful information about the Corporation's annual activities. The statements report the net position of the Corporation and the changes in net position. The amount of net position, the difference between total assets and total liabilities, is a significant measure of the financial health or financial position of the Corporation. Over time, increases or decreases in the Corporation's net position is one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors should be considered in evaluating the Corporation's overall financial condition.

The following comparative condensed financial statements and other selected information serve as the financial data and indicators for management's monitoring and planning.

Condensed Net Position:

A summary of the Corporation's condensed statements of net position at December 31 is presented as follows:

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|-----------------------------|--------------------|--------------------|--------------------|
| <u>Assets:</u> | | | |
| Current assets | <u>\$2,075,314</u> | <u>\$2,422,036</u> | <u>\$2,346,901</u> |
| Total assets | <u>2,075,314</u> | <u>2,422,036</u> | <u>2,346,901</u> |
| <u>Liabilities:</u> | | | |
| Current liabilities | <u>10,163</u> | <u>8,988</u> | <u>9,259</u> |
| Total liabilities | <u>10,163</u> | <u>8,988</u> | <u>9,259</u> |
| <u>Net position:</u> | | | |
| Unrestricted | <u>2,065,151</u> | <u>2,413,048</u> | <u>2,337,642</u> |
| Total net position | <u>\$2,065,151</u> | <u>\$2,413,048</u> | <u>\$2,337,642</u> |

Town of Hempstead Local Development Corporation

Management's Discussion and Analysis Unaudited

Total assets as of December 31, 2021 were \$2,075,314, which exceeded total liabilities of \$10,163 by \$2,065,151 (net position). The Corporation's net position was unrestricted and available to support operations. Total assets decreased by \$346,722 (14.3%) at December 31, 2021 compared to 2020 due to a decrease in cash and cash equivalents. Total liabilities increased by \$1,175 (13.1%) at December 31, 2021 compared to 2020, due to an increase in amounts of accrued expenses related to a shared services agreement between the Corporation and a related organization, the Town of Hempstead Industrial Development Agency (the Agency). The Corporation's net position decreased by \$347,897 due to current year expenses exceeding current fee revenue.

Total assets as of December 31, 2020 were \$2,422,036, which exceeded total liabilities of \$8,988 by \$2,413,048 (net position). The Corporation's net position was unrestricted and thus available to support operations. Total assets increased by \$75,135 (3.2%) at December 31, 2020 compared to 2019, due to an increase in cash and cash equivalents. Total liabilities decreased by \$271 (2.9%) at December 31, 2020 compared to 2019, due to decreases in amounts of accrued expenses related to a shared services agreement between the Corporation and the Agency. The Corporation's net position increased by \$75,406.

Operating Results

The Corporation's condensed statements of revenues, expenses and changes in net position for the years ended December 31 are presented as follows:

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---------------------------------|--------------------|--------------------|---------------------|
| Operating revenues | \$ 556,330 | \$ 225,726 | \$ 230,709 |
| Operating expenses | <u>904,227</u> | <u>152,463</u> | <u>148,385</u> |
| (Loss) Income from operations | <u>(347,897)</u> | <u>73,263</u> | <u>82,324</u> |
| Non-operating income | <u>-</u> | <u>2,143</u> | <u>12,015</u> |
| Change in net position | <u>(347,897)</u> | <u>75,406</u> | <u>94,339</u> |
| Net position, beginning of year | <u>2,413,048</u> | <u>2,337,642</u> | <u>2,243,303</u> |
| Net position, end of year | <u>\$2,065,151</u> | <u>\$2,413,048</u> | <u>\$ 2,337,642</u> |

Town of Hempstead Local Development Corporation

Management's Discussion and Analysis Unaudited

The Corporation's operating revenues increased by \$330,604 (146.5%) from \$225,726 in 2020 to \$556,330 in 2021. The increase is attributable to more project fees being earned in 2021. There were three projects closed in 2021, while there was one project closed in 2020.

The Corporation's expenses increased to \$904,227 in 2021 from \$152,463 in 2020, an increase of \$751,764 (493.1%). This is primarily due to an increase in program support expenses. In 2021 the Corporation entered into an agreement with the Town of Hempstead Department of Occupational Resources for \$750,000 to support job training programs for the residents of the Town of Hempstead.

The Corporation's operating revenues decreased by \$4,983 (2.2%) from \$230,709 in 2019 to \$225,726 in 2020. The decrease in 2020 operating revenues is attributable to the Corporation earning less fees during 2020. There was one project closed in 2020, while there were two projects closed in 2019. The Corporation's expenses increased to \$152,463 in 2020 from \$148,385 in 2019, an increase of \$4,078 (2.7%). This is primarily due to an increase in salaries in 2020 as well as an increase in contractual and professional fees. In 2020 the Corporation utilized a transcription service to document its virtual Board of Director meetings as a result of the coronavirus pandemic.

Contacting the Corporation's Financial Management:

This financial report is designed to provide readers with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town of Hempstead Local Development Corporation at: 350 Front Street, Hempstead, New York 11550 or at: (516) 489-5000 ext. 3706.

**Town of Hempstead
Local Development Corporation**

STATEMENTS OF NET POSITION

December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|-----------------------------|---------------------|---------------------|
| Assets: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 2,067,314 | \$ 2,420,036 |
| Accounts receivable | <u>8,000</u> | <u>2,000</u> |
| Total assets | <u>2,075,314</u> | <u>2,422,036</u> |
| Liabilities: | | |
| Current liabilities: | | |
| Accrued expenses | <u>10,163</u> | <u>8,988</u> |
| Total liabilities | <u>10,163</u> | <u>8,988</u> |
| Net position: | | |
| Unrestricted | <u>2,065,151</u> | <u>2,413,048</u> |
| Total net position | <u>\$ 2,065,151</u> | <u>\$ 2,413,048</u> |

See notes to financial statements

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**Town of Hempstead
Local Development Corporation**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|-----------------------------------|---------------------|---------------------|
| Operating revenues: | | |
| Fees for services | \$ 556,330 | \$ 225,726 |
| Operating expenses: | | |
| Salaries | 96,262 | 100,841 |
| Payroll taxes and fees | 10,230 | 10,087 |
| Rent | 15,000 | 15,000 |
| Contractual and professional fees | 19,443 | 16,857 |
| Advertising | 5,000 | 5,000 |
| Office and related expenses | 7,417 | 3,803 |
| Telephone expense | 875 | 875 |
| Program support | 750,000 | - |
| Total operating expenses | <u>904,227</u> | <u>152,463</u> |
| (Loss) Income from operations | <u>(347,897)</u> | <u>73,263</u> |
| Non-operating income: | | |
| Interest income | <u>-</u> | <u>2,143</u> |
| Change in net position | (347,897) | 75,406 |
| Net position, January 1 | <u>2,413,048</u> | <u>2,337,642</u> |
| Net position, December 31 | <u>\$ 2,065,151</u> | <u>\$ 2,413,048</u> |

See notes to financial statements

**Town of Hempstead
Local Development Corporation**

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Cash flows (used in) provided by operating activities: | | |
| Cash received: | | |
| From providing services | \$ 558,330 | \$ 223,726 |
| Cash payments: | | |
| Contractual services | (804,560) | (41,806) |
| Personal services and employee benefits | (106,492) | (110,928) |
| Net cash (used in) provided by operating activities | <u>(352,722)</u> | <u>70,992</u> |
| Cash flows from investing activities: | | |
| Interest income | - | 2,143 |
| Net cash provided by investing activities | <u>-</u> | <u>2,143</u> |
| Net change in cash and cash equivalents | (352,722) | 73,135 |
| Cash and cash equivalents, January 1 | <u>2,420,036</u> | <u>2,346,901</u> |
| Cash and cash equivalents, December 31 | <u>\$ 2,067,314</u> | <u>\$ 2,420,036</u> |
| Reconciliation of Income From Operations to Net Cash (Used In) Provided By Operating Activities | | |
| (Loss) Income from operations | \$ <u>(347,897)</u> | \$ <u>73,263</u> |
| Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities: | | |
| Change in accounts receivable | (6,000) | (2,000) |
| Change in accrued expenses | <u>1,175</u> | <u>(271)</u> |
| Total adjustments to change in net assets | <u>(4,825)</u> | <u>(2,271)</u> |
| Net cash (used in) provided by operating activities | <u>\$ (352,722)</u> | <u>\$ 70,992</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 Corporation is a corporation as defined in sub-paragraph (a)(5) of Section 102 of the Not-for-profit Corporation Law and is a Type C corporation with members under section 201 of said law. 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 Board and is considered a component unit of the Town of Hempstead. In accordance with The Corporation's By-Laws, the Board of Directors shall consist of no fewer than three directors and no more than seven directors. At December 31, 2021, five positions were filled. All governmental activities and functions performed by the Corporation 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 Corporation 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. The Corporation has been determined to be a component unit of the Town of Hempstead, New York.

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

Basis of accounting: The Corporation utilizes the accrual basis of accounting and the flow of economic resources measurement focus. The basis of accounting and measurement focus emphasize the measurement of net income similar to the approach used by commercial enterprises. Revenues are recorded when earned and expenses are recorded when incurred. Under this basis of accounting and measurement focus, the Corporation applies all Governmental Accounting Standards Board (GASB) pronouncements and United States Generally Accepted Accounting Principles (US GAAP), except those that conflict with a GASB pronouncement.

**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.

Use of estimates: The preparation of financial statements, in conformity with US GAAP, 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.

Accounts receivable: On December 31, 2021 and 2020 the Corporation considered accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is recorded.

Property and equipment: Property and equipment are stated at cost. It is the Corporation's practice to capitalize expenditures greater than \$2,000 with an estimated useful life of greater than one year. All property and equipment is fully depreciated at December 31, 2021 and 2020.

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

Net position classifications: Net position is classified and displayed in three components, as applicable:

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

**Town of Hempstead
Local Development Corporation**

NOTES TO FINANCIAL STATEMENTS

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

Revenue recognition: The Corporation's primary sources of operating revenue are from application fees, administrative fees and compliance fees. Administrative fees are computed as a percentage of the total project. Fees for services are recorded as income when earned at the time of project closing.

Advertising costs: Advertising costs are charged to operations when incurred. Advertising costs for the years ended December 31, 2021 and 2020 were \$5,000 and \$5,000, respectively.

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.

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

Subsequent events: Management has evaluated subsequent events through the date of the report, which is the date the financial statements were available to be issued.

3. **Conduit debt obligations, bond transactions:**

The Corporation induces the issuance of 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 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, 2021 and 2020, outstanding debt induced by the Corporation and issued by other entities amount to \$571,290,000 and \$500,080,000, 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's investments are governed by a formal investment policy. The Corporation's Board of Director's responsibility for administration of the investment program is delegated to the Chief Executive Officer pursuant to resolution.

The Chief Executive Officer is authorized to invest monies not required for immediate expenditure. Permissible investments include special time deposit accounts, certificates of deposit, obligations of the United States of America, obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America and obligations of New York State. All deposits, including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act must be secured by a pledge of eligible securities 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.

Deposits are required to be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

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

At December 31, 2021, the Corporation's bank balances were \$2,069,939. Of that total, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$1,819,939 was secured by collateral held by the pledging financial institution's agent, a third-party financial institution, but not in the Corporation's name.

At December 31, 2020, the Corporation's bank balances were \$2,422,505. Of that total, \$250,000 was covered by the FDIC and \$2,172,505 was secured by collateral held by the pledging financial institution's agent, a third-party financial institution, but not in the Corporation's name.

**Town of Hempstead
Local Development Corporation**

NOTES TO FINANCIAL STATEMENTS

5. Revenues:

The Corporation collects fees from its projects as follows:

Application fee: The Corporation charges a non-refundable fee of \$3,000 at the time of receiving a formal application for assistance.

Administrative fee: The Corporation charges a one-time administrative fee on tax exempt bond projects as follows:

| | <u>Percentage of Value</u> |
|-----------------------|-----------------------------------|
| Up to \$25,000,000 | 0.5% |
| \$25,000,000 and over | 0.2% |

Annual compliance fees: The Corporation charges an initial compliance fee of \$3,000 and an annual compliance fee of \$1,500 for the term of bonds for any project that closed after February 1, 2016. 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 Corporation.

Corporation Counsel's fee: The fee for Corporation's Counsel is approximately 0.1% of the amount of the bonds. The applicant pays the Corporation's counsel fee. For terminations, consents, second mortgages and other financings, Corporation counsel shall bill at the prevailing hourly rate.

Bond/Transaction Counsel fee: The applicant pays the Bond/Transaction Counsel fee.

Miscellaneous fees:

| | <u>Minimum Amount</u> |
|----------------------------------|---|
| Extension of inducement | \$500 - \$1,000 |
| Document processing | \$1,000 - \$2,000 |
| Refinancing of bonds* | 0.5% outstanding bonds, plus administrative fee for new money |
| Assumption of outstanding bonds* | 0.125% outstanding bonds, plus administrative fee for new money |

**Town of Hempstead
Local Development Corporation**

NOTES TO FINANCIAL STATEMENTS

5. **Revenues (continued):**

Miscellaneous fees (continued):

| | <u>Minimum Amount</u> |
|---|--------------------------------------|
| Termination fee | \$1,000 |
| Consent, 2nd mortgages and other financings | Set by Board on a case to case basis |

* These fees are subject to adjustment at the discretion of the Corporation, based on the complexity of the transaction involved.

The Corporation recognizes its fees for services as operating revenues. Non-operating income results from activities not related to these transactions.

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 chief executive officer and chief financial officer.

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, 2021 and 2020 were \$19,375 and \$18,285, respectively. At December 31, 2021 and 2020, the Corporation owed \$10,099 and \$8,988, respectively, to the Agency, which is reflected on the Statements of Net Position as accrued expenses.

The Corporation is a component unit of the Town of Hempstead (the Town). During 2021 the Corporation granted \$750,000 to the Town under a services agreement for career planning, occupational skills training programs, career and computers skills workshops and other job training programs for the residents of the Town through the Town of Hempstead Department of Occupational Resources. The total \$750,000 is reflected on the 2021 Statement of Revenues, Expenses and Changes in Net Position as program support expense.

**Town of Hempstead
Local Development Corporation**

NOTES TO FINANCIAL STATEMENTS

7. Coronavirus pandemic:

In March 2020, an outbreak of a new strain of Coronavirus, COVID-19, emerged as a pandemic in New York State and across the United States, leading to widespread business shutdowns and significant volatility in the financial markets. The coronavirus outbreak is still evolving. The ultimate extent of the pandemic's impact on the Corporation will depend on future developments which are highly uncertain. Currently, management is unable to quantify the potential effects of the pandemic on operations and financial performance of the Corporation.

8. New pronouncements:

The following statements have been issued by the GASB and are to be implemented in futures years, as applicable:

GASB Statement No. 87, *Leases*, as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the objective of which is to improve financial reporting by improving accounting for leases by governments. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about a government's leasing activities. The requirements of this Statement are effective for the Corporation's 2022 year. The Corporation is currently evaluating the impact of this pronouncement.

GASB Statement No. 91, *Conduit Debt Obligations*, as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the primary objectives of which are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the issuer, establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations and improving required note disclosures. The requirements of this Statement are effective for the Corporation's 2022 year. The Corporation is currently evaluating the impact of this pronouncement.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Town of Hempstead Local Development Corporation
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 Local Development Corporation (the Corporation) as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated March 2, 2022.

Report on 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) 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 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 Corporation'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

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

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 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, non-compliance 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 non-compliance 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 Corporation'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.

Sheehan & Company CPA, P.C.

Brightwaters, New York
March 2, 2022

Town of Hempstead
Local Development Corporation

COMMUNICATION WITH THOSE
CHARGED WITH GOVERNANCE

December 31, 2021

March 2, 2022

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, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 8, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the 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 2021. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the basic 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.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure of related party transactions in Note 6 to the financial statements.

The Corporation is a component unit of the Town of Hempstead, New York. During 2021 the Corporation granted \$750,000 to the Town of Hempstead under a services agreement for career planning, occupational skills training programs, career and computers skills workshops and other job training programs for the residents of the Town of Hempstead through the Town of Hempstead Department of Occupational Resources.

To the Board of Directors
Town of Hempstead Local Development Corporation
March 2, 2022
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The financial statements disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial and communicate them to the appropriate level of management. We noted no such 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 2, 2022.

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.

To the Board of Directors
Town of Hempstead Local Development Corporation
March 2, 2022
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Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

Sheehan & Company CPA, P.C.

Brightwaters, New York
March 2, 2022