

**Town of Hempstead  
Local Development Corporation**

**FINANCIAL STATEMENTS**

**December 31, 2013**

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## **INDEPENDENT AUDITOR'S 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, 2013 and 2012 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

### **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 opinions on these financial statements based on our audit. 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. 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 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  
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

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, 2013 and 2012 and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2014 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.

Sheehan + Company CPA PC

Brightwaters, New York  
March 19, 2014

**Town of Hempstead  
Local Development Corporation**

**STATEMENTS OF FINANCIAL POSITION**

**December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 1,201,540	\$ 733,693
Fees receivable	1,075	-
Property and equipment, net	<u>1,008</u>	<u>1,994</u>
Total assets	<u>\$ 1,203,623</u>	<u>\$ 735,687</u>
<b>Liabilities</b>		
	\$ -	\$ -
<b><u>Net assets</u></b>		
Unrestricted	<u>1,203,623</u>	<u>735,687</u>
Total net assets	<u>1,203,623</u>	<u>735,687</u>
Total liabilities and net assets	<u>\$ 1,203,623</u>	<u>\$ 735,687</u>

See notes to financial statements

**Town of Hempstead  
Local Development Corporation**

**STATEMENTS OF ACTIVITIES**

**For the Years Ended December 31, 2013 and 2012**

	<b><u>2013</u></b>	<b><u>2012</u></b>
<b>Operating revenues:</b>		
Fees for services	\$ 506,348	\$ 63,832
<b>Operating expenses:</b>		
Rent	6,019	5,923
Business development	9,250	11,000
Contractual and professional fees	19,240	17,384
Advertising	100	70
Office and related expenses	1,931	1,262
Telephone expense	822	472
Meetings and travel	64	1,867
Depreciation and amortization	986	928
Total operating expenses	<u>38,412</u>	<u>38,906</u>
Operating income	<u>467,936</u>	<u>24,926</u>
<b>Non-operating income:</b>		
Interest income	<u>-</u>	<u>196</u>
Change in net assets	467,936	25,122
Net assets, January 1	<u>735,687</u>	<u>710,565</u>
Net assets, December 31	<u>\$ 1,203,623</u>	<u>\$ 735,687</u>

See notes to financial statements

**Town of Hempstead  
Local Development Corporation**

**STATEMENTS OF CASH FLOWS**

**For the Years Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 467,936	\$ 25,122
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation	986	928
(Increase) in fees receivable	<u>(1,075)</u>	<u>-</u>
Total adjustments to net income	<u>(89)</u>	<u>928</u>
Net cash provided by operating activities	<u>467,847</u>	<u>26,050</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	<u>-</u>	<u>(380)</u>
Net cash (used) by investing activities	<u>-</u>	<u>(380)</u>
Net increase in cash and cash equivalents	467,847	25,670
Cash and cash equivalents, January 1	<u>733,693</u>	<u>708,023</u>
Cash and cash equivalents, December 31	<u>\$ 1,201,540</u>	<u>\$ 733,693</u>

See notes to financial statements

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# Town of Hempstead Local Development Corporation

## NOTES TO FINANCIAL STATEMENTS

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### 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 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.

**Town of Hempstead  
Local Development Corporation**

**NOTES TO FINANCIAL STATEMENTS**

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**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, 2013 and 2012 are \$100 and \$70, respectively.

**Subsequent events:** Subsequent events have been evaluated through March 19, 2014, 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, 2013 and 2012, outstanding debt induced by the Corporation and issued by other entities amount to approximately \$322,337,106 and \$201,930,973, 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, 2013, the balances of cash accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation.

At December 31, 2013, the Corporation's bank balances were \$1,201,539. Of that total, \$250,000 was covered by federal deposit insurance and \$951,539 was secured by collateral held by the pledging financial institution's agent, a third-party financial institution, but not in the Corporation's name.

**5. Property and equipment:**

Property and equipment, net is summarized as follows:

	<u>2013</u>	<u>2012</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>(3,918)</u>	<u>(2,932)</u>
Property and equipment, net	<u>\$ 1,008</u>	<u>\$ 1,994</u>

Depreciation expense for the years ending December 31, 2013 and 2012 was \$986 and \$928, 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. These expenses have been reflected in the appropriate expense categories. Amounts paid to the Agency for the years ended December 31, 2013 and 2012 were \$7,196 and \$7,064, 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, 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, 2013, 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 19, 2014.

**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 opinions 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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  
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### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sheehan + Company CPA PC

Brightwaters, New York  
March 19, 2014