

TUXEDO FARMS
LOCAL DEVELOPMENT CORPORATION

AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2015

CUSIP Number:
901123 AA7

TUXEDO FARMS
LOCAL DEVELOPMENT CORPORATION

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TUXEDO FARMS
LOCAL DEVELOPMENT CORPORATION

Board of Directors

Michael Rost, President/CEO

Stephen Arber, member

Maureen Coen, member

INDEPENDENT AUDITORS' REPORT

To the Board of the Tuxedo Farms
Local Development Corporation
Tuxedo, NY 10987

We have audited the accompanying statement of financial position of the Tuxedo Farms Local Development Corporation, a component unit of the Town of Tuxedo, New York, 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.

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 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 such opinion. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that 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 financial position of the Tuxedo Farms Local Development Corporation as of December 31, 2015, and the results of its operations and cash flows for the year then ended in conformity 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 13, 2016, on our consideration of the Tuxedo Farms Local Development 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 Tuxedo Farms Local Development Corporation's internal control over financial reporting and compliance.



Mongaup Valley, New York
March 13, 2016

**TUXEDO FARMS LOCAL DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

The Management's Discussion and Analysis of the financial performance of Tuxedo Farms Local Development Corporation (the "Corporation") provides an overall review of the Corporation's financial activities for the fiscal year ended December 31, 2015. The intent of this discussion and analysis is to look at the Corporation's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Corporation's financial performance.

Financial Highlights

1. The Corporation incurred long term debt of \$30,000,000 in Revenue Bonds on June 17, 2015, bearing interest at 6.550% per annum with a final maturity of November 1, 2047. The Corporation's debt will be paid by the Town of Tuxedo, New York, through the collection of service fees paid from Special Assessments imposed on the chargeable properties benefiting from the public improvements.
2. Net position at December 31, 2015 totaled \$(1,130,381) due to administrative fees and costs of issuing the bonds.
3. Capital assets at December 31, 2015 were \$6,816,759, which represents ongoing construction of the sewerage facilities and related financing costs to benefit the development and other local residents.
4. Service fees in 2015 were fully paid with District Revenues, which include bond proceeds among other sources of funds, and therefore, no Special Assessments have been imposed on property owners for 2015. In addition, service fees in 2016 will be fully paid by District Revenues. As a result, Special Assessments will not be imposed on property owners in 2016.

Overview of the Financial Statements

This annual report consists of two parts – management's discussion and analysis and the basic financial statements consisting of a *Statement of Net Position*; *Statement of Revenues, Expenses, and Changes in Net Position*; *Statement of Cash Flows*; and related footnotes. The Statement of Net Position represents the financial position of the Corporation and provides information about the activities of the Corporation, including all short-term and long-term financial resources and obligations. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included in the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position. The Statement of Cash Flows reflects how the Corporation finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

**TUXEDO FARMS LOCAL DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

Comparative Financial Analysis

Summary Statement of Net Position

	<u>2015</u>
Assets:	
Current and other assets	\$ 18,503,573
Capital assets	6,816,759
Other long-term assets	<u>4,411,312</u>
Total assets	<u>29,731,644</u>
Liabilities:	
Current liabilities	1,453,265
Long-term debt	<u>29,408,760</u>
Total Liabilities	<u>30,862,025</u>
Net Position	
Unrestricted	<u>(1,130,381)</u>
Total Net Position	<u><u>\$ (1,130,381)</u></u>

The deficit in net position is due primarily to the Corporation's administrative fees and bond issuance costs. No Special Assessments have been imposed or collected.

Summary Statement of Revenues, Expenses, and Changes in Net Position

	<u>2015</u>
Operating Revenues	\$ -
Operating Expenses	<u>35,281</u>
Operating Income	(35,281)
Non-operating Expenses	<u>(1,095,100)</u>
Change in Net Position	<u><u>\$ (1,130,381)</u></u>

Net Position decreased in 2015 due primarily to the Corporation's administrative fees and bond issuance costs.

Capital Assets

The Corporation's capital assets consisted of construction in progress of the sewerage facilities, net of bond interest expense and investment income. Construction in progress at December 31, 2015 was \$5,781,684, which represents ongoing construction of the sewerage facilities.

Long-Term Debt

The Corporation issued Revenue Bonds, Series 2015, totaling \$30,000,000 dated June 17, 2015 bearing interest at 6.550% per annum with a final maturity of November 1, 2047. This bond issuance represents 100% of the Corporation's long-term debt balance. The Bonds are subject to mandatory sinking fund, optional, and special mandatory redemption requirements as specified in the Indenture.

**TUXEDO FARMS LOCAL DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

The proceeds from the Bonds are being used to finance construction of certain sewerage facilities within the District including a waste water treatment plant and installation of piping and a pump station; to fund a debt service reserve fund; to fund the payment of interest on the Bonds during the construction period; to pay costs of issuing the Bonds; and to pay administrative expenses.

Mandatory sinking fund payments will be made annually beginning November 1, 2021 from service fees paid by the Town to the Corporation, which are to be funded by Special Assessments imposed on the benefiting property owners.

Economic Factors and Future Outlook

Presently, the Corporation is not aware of any significant changes in conditions that would have a significant effect on the administrative expenses in the near future.

Contacting Corporation's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Corporation's finances and to reflect the Corporation's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to the Corporation's administrator, MuniCap, Inc., at 8965 Guilford Road, Suite 210, Columbia, Maryland 21046.

TUXEDO FARMS LOCAL DEVELOPMENT CORPORATION
STATEMENT OF NET POSITION
AS OF DECEMBER 31,

	<u>2015</u>
Assets	
Current Assets	
Interest receivable	\$ 10,053
Short-term investments	<u>1,962,759</u>
Total Current Assets	<u>1,972,812</u>
Noncurrent Assets	
Restricted cash and cash equivalents	16,530,761
Capital assets	6,816,759
Long-term investments	<u>4,411,312</u>
Total Noncurrent Assets	<u>27,758,832</u>
Total Assets	<u>29,731,644</u>
Liabilities	
Current Liabilities	
Accounts payable	3,509
Accrued liabilities	1,122,256
Accrued interest payable	<u>327,500</u>
Total Current Liabilities	<u>1,453,265</u>
Noncurrent Liabilities	
Bonds payable, net of discount	<u>29,408,760</u>
Total Noncurrent Liabilities	<u>29,408,760</u>
Total Liabilities	<u>30,862,025</u>
Net Position	
Unrestricted	<u>(1,130,381)</u>
Net Position	<u>\$ (1,130,381)</u>

The accompanying notes to the financial statements are an integral part of this statement.

TUXEDO FARMS LOCAL DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31,

	<u>2015</u>
Operating Expenses	
Administrative fees	\$ 27,858
Legal fees	<u>7,423</u>
Total Operating Expenses	<u>35,281</u>
Operating Income (Loss)	<u>(35,281)</u>
Non-Operating Revenues (Expenses)	
Bond issuance costs	(1,145,100)
Developer's contribution	<u>50,000</u>
Total Non-Operating Revenues (Expenses)	<u>(1,095,100)</u>
Change in Net Position	(1,130,381)
Net Position, Beginning of Year	<u>-</u>
Net Position, End of Year	<u>\$ (1,130,381)</u>

The accompanying notes to the financial statements are an integral part of this statement.

TUXEDO FARMS LOCAL DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31,

	<u>2015</u>
Cash Flows from Operating Activities	
Cash payments for administrative fees	\$ (24,350)
Cash payments for legal fees	<u>(7,422)</u>
Net Cash Used in Operating Activities	<u>(31,772)</u>
 Cash Flows from Investing Activities	
Interest received from investments	20,034
Investments purchased	<u>(6,371,727)</u>
Net Cash Used in Investing Activities	<u>(6,351,693)</u>
 Cash Flows from Capital and Related Financing Activities	
Proceeds from bond issuance	29,250,000
Acquisition and construction of capital assets	(4,659,257)
Interest paid on bonds	(731,416)
Bond issuance costs paid	(995,101)
Developer's contribution	50,000
Net Cash Provided by Capital and Related Financing Activities	<u>22,914,226</u>
 Change in Cash Balance	16,530,761
 Cash, Beginning of Year	<u>-</u>
 Cash, End of Year	<u>\$ 16,530,761</u>
 Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:	
Operating Income	\$ (35,281)
Adjustments	
Increase in accounts payable	<u>3,509</u>
Net Cash Used in Operating Activities	<u>\$ (31,772)</u>

The accompanying notes to the financial statements are an integral part of this statement.

TUXEDO FARMS LOCAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1—REPORTING ENTITY

The Tuxedo Farms Local Development Corporation (the “Corporation”) was established pursuant to section 1411 of the New York Not-For-Profit Corporation Law pursuant to a resolution adopted by the Town of Tuxedo (the “Town”) on January 7, 2015. The Corporation was formed for the purpose of assisting in the financing, construction, acquisition and operation of the sewer system improvements (the “Sewerage Facilities”). The Corporation approved the Sewer Services Agreement and authorized the issuance of the Series 2015 Bonds and the execution and delivery of the Project Documents and related documents by resolution adopted on May 22, 2015.

The Corporation is a component unit of the Town of Tuxedo, New York. The Town Supervisor appoints the board members of the Corporation, with the consent of the Town Board. The financial activities of the Corporation are combined with the financial activities of the Town and other component units, which constitutes the entire reporting entity for the Town of Tuxedo.

The \$30,000,000 Revenue Bonds, Series 2015 (the “Bonds”), are special limited obligations of the Corporation and were issued pursuant to the provisions of the New York Not-For-Profit Corporation Law and the Trust Indenture dated June 1, 2015, by and between the Corporation and Wilmington Trust, National Association, as trustee (the “Trustee”). The Bonds were issued to finance a sewerage facility, fund capitalized interest through May 1, 2018, fund a debt service reserve fund, and fund the costs of issuance of the Bonds.

The Bonds are intended to be paid primarily from the Service Fees paid by the Town to the Corporation for sewer service to be provided by the Tuxedo Sewage Works Corp (the “SW Corp”) on behalf of the Corporation. The Town has agreed to levy Special Assessments on parcels within the Sewer Districts, as defined in the Rate and Method of Apportionment of Special Assessments (the “RMA”), in an amount sufficient to pay the Service Fees. Such Special Assessments are payable at the same time and are enforced in the same manner as general real estate taxes levied for the Town and Orange County.

The Tuxedo Farms Development consists of approximately 1,200 acres of land in Tuxedo, New York. Tuxedo Farms is expected to be comprised of 1,195 residential units to be constructed in three major phases and a 10,000 square foot facility that will be used for community or commercial retail purposes. Tuxedo Farms is expected to be comprised of twelve different neighborhoods organized around a traditional town center called “The Commons”.

The Corporation’s management believes these financial statements present all activities for which the Corporation is financially accountable.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. The policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

A. Basis of Presentation

The Corporation’s basic financial statements consist of a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. The Corporation uses

TUXEDO FARMS LOCAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

enterprise fund accounting to maintain its financial records during the fiscal year. Enterprise fund accounting focuses on the determination of operating income, financial position and changes in net position, and cash flows.

B. Measurement Focus and Basis of Accounting

The Corporation's financial activity is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the Corporation are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position. The Statement of Cash Flows reflects how the Corporation finances and meets its cash flow needs.

Net Position is segregated into Net Investment in Capital Assets, Restricted, and Unrestricted components, if applicable.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, and measurement focus relates to the timing of the measurements made. The Corporation uses the accrual basis of accounting and the flow of economic resources measurement focus for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Cash and Investments

Cash received by the Corporation is deposited with a financial institution or invested. Deposits and investments having an original maturity of three months or less at the time they are purchased are presented in the financial statements as Cash and Cash Equivalents.

Investments with an initial maturity of more than three months are reported as Investments. Investments are reported at amortized cost and are segregated into short-term and long-term components. Investments maturing within one year are considered short-term. Amortization of any premium or discount on the purchase of investments is calculated using the straight-line method. All investments are expected to be held until maturity.

D. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets will be recorded at their fair market value on the date that they will be donated. The Corporation does not maintain a capitalization threshold as all infrastructure assets are capitalized. Interest expense during the period of construction is capitalized, net of investment earnings. The Corporation depreciates capital assets that are not to be donated upon completion/acquisition using the straight-line method.

E. Net Position

Net position represents the difference between assets, liabilities, and deferred inflows/outflows of resources. Net Position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Corporation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

TUXEDO FARMS LOCAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

F. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Corporation. For the Corporation, these revenues are Special Assessments. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the Corporation. All revenues and expenses not meeting this definition are reported as non-operating.

G. 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3—CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted entirely of investments in money market funds as of December 31, 2015. Cash and cash equivalents are carried at cost, which approximates fair market value.

A. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Corporation's deposits may not be returned. There is no custodial credit risk to these accounts as the entire bank balance was covered by federal depository insurance or collateralized in accordance with the provisions under the Indenture.

B. Interest Rate Risk

Interest rate risk is the risk that an interest rate change could adversely affect an investment's fair value. As a means of limiting exposure to fair value losses arising from rising interest rates, the Trust Indenture requires the investment of moneys in the Debt Service Reserve Fund must mature or be payable at the option of the Trustee by the time the Trustee may need such money for the purposes of the bond issue. The Corporation's investments in money market funds are withdraw-able on demand.

C. Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. The Indenture specifies the minimum rating of permitted investments. Investments at December 31, 2015 were in money market funds that met the specified credit ratings.

Although state statute does not impose credit standards on repurchase agreement counterparties, bankers' acceptances, or money market mutual funds, the Indenture establishes stringent credit standards for these investments to minimize portfolio risk:

D. Concentration of Credit Risk

Concentration of credit risk can arise by failing to adequately diversify investments. The Indenture does not limit portfolio composition by issuer or by investment type.

TUXEDO FARMS LOCAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4—INVESTMENTS

Investments are reported at amortized cost and are segregated into short-term and long-term components based on the maturity date of the investment. Investments maturing within one year are considered short-term. Investments consisted of the following at December 31, 2015:

	<u>Par Value</u>	<u>Interest Rate</u>	<u>Maturity</u>
US Treasury Note	980,000	0.375%	4/30/2016
US Treasury Note	983,000	0.375%	10/31/2016
US Treasury Note	976,000	0.875%	4/30/2017
US Treasury Note	982,000	0.750%	10/31/2017
US Treasury Note	991,000	0.625%	4/30/2018
FHLMC Note	1,486,000	1.375%	5/1/2020

Amortization of investment premiums or discounts is calculated using the straight-line method. All investments are expected to be held until maturity.

NOTE 5—CAPITAL ASSETS

Capital assets consist of construction in progress and financing costs. Construction in progress consists of costs of constructing the sewerage facilities. Pursuant to the Memorandum of Understanding, the sewerage facilities will be owned by the Corporation upon completion.

The Corporation's capital asset activity for the year ended December 31, 2015 was as follows:

<u>2015</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Donations</u>	<u>Ending Balance</u>
Construction in progress	\$ -	\$ 5,781,684	\$ -	\$ -	\$ 5,781,684
Capitalized bond interest	-	1,067,677	-	-	1,067,677
Capitalized investment income	-	(32,602)	-	-	(32,602)
Total Capital Assets	<u>\$ -</u>	<u>\$ 6,816,759</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,816,759</u>

As of December 31, 2015, work on the sewerage facility is on-going, with completion estimated for late 2016.

NOTE 6—LONG-TERM OBLIGATIONS

A. Revenue Bonds, Series 2015

On June 17, 2015, the Corporation issued \$30,000,000 in Revenue Bonds, Series 2015, to finance the sewerage facility, to fund a debt service reserve fund, to fund the payment of interest on the Bonds prior to and during construction, and to pay costs of issuing the Bonds. The Town, on behalf of the Corporation, will impose and collect the Special Assessments and has agreed to apply its customary tax payment enforcement procedures to the collection of any delinquent payments of the Special Assessments.

The Bonds are special limited obligations of the Corporation payable solely from and secured by a pledge of the service fees and certain funds held by the Trustee.

TUXEDO FARMS LOCAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Interest on the Bonds is payable according to the terms specified by the Indenture semiannually on November 1 and May 1 of each year beginning on November 1, 2015. Interest on the Bonds is calculated on the basis of a 360-day year comprised of twelve 30-day months. The Bonds bear interest at 6.550% per annum. Interest payments totaled \$731,417 for the year ended December 31, 2015.

The bonds were issued at a discount totaling \$600,000, which is being amortized using the effective interest method over the life of the bonds.

Bonds payable consisted of the following at December 31, 2015:

<u>2015</u>	<u>Bond Issuance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Series 2015 Bonds	\$30,000,000	\$ -	\$ -	\$ 30,000,000	\$ -
Less: Unamortized discount	(600,000)	-	8,760	(591,240)	23,460
Total Bonds Payable	<u>\$29,400,000</u>	<u>\$ -</u>	<u>\$ 8,760</u>	<u>\$ 29,408,760</u>	<u>\$ 23,460</u>

The Bonds are subject to optional redemption, special mandatory redemption, and mandatory sinking fund redemption. Principal payments on the Bonds are due each November 1, beginning November 1, 2021 according to the mandatory sinking fund redemption schedule.

B. Optional Redemption

The Bonds are subject to redemption prior to maturity at the option of the Corporation on or after May 1, 2027 from any money available for such purpose, in whole or in part, plus accrued interest to the redemption date, at the following redemption prices:

<u>Redemption Period</u>	<u>Redemption Price</u>
May 1, 2017 – April 30, 2028	102.00%
May 1, 2028 – April 30, 2029	101.00%
May 1, 2029 and thereafter	100.00%

C. Special Mandatory Redemption

The Bonds are subject to special mandatory redemption prior to maturity, in whole or in part, in minimum amounts of \$5,000 at a redemption price equal to the principal amount to be redeemed, together with accrued interest thereon to the date fixed for redemption by application of money remaining on or after the completion date in the Construction Account of the Project Fund not reserved for the payment of any remaining part of the cost of the Sewerage facilities, or from any money in the Net Proceeds Account remaining after payment of the cost of any repair or restoration of the sewerage facilities from any insurance recovery or condemnation award.

TUXEDO FARMS LOCAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

D. Mandatory Sinking Fund Redemption

The Bonds are required to be redeemed each November 1, beginning November 1, 2021, in the years and in the amounts set forth below:

For year ending December 31:	Principal	Interest
2016	\$ -	\$ 1,965,000
2017	-	1,965,000
2018	-	1,965,000
2019	-	1,965,000
2020	-	1,965,000
2021-2025	465,000	9,794,215
2026-2030	1,860,000	9,472,283
2031-2035	3,890,000	8,617,508
2036-2040	6,825,000	6,987,213
2041-2045	11,015,000	4,240,798
2046-2047	5,945,000	592,448
Total	<u>\$30,000,000</u>	<u>\$49,529,463</u>

E. Additional Bonds

Additional bonds may be issued by the Corporation under the Indenture for the purpose of refunding or defeasing outstanding Bonds, providing funds to the Corporation to purchase outstanding Bonds or to finance the construction of the facilities or capital additions upon satisfaction of certain requirements contained in the Indenture. In the case of additional Bonds issued to finance the construction of the facilities, the Corporation must comply with specific conditions set forth in the Indenture. Any additional bonds issued shall be equally and ratably secured with the Bonds then outstanding.

NOTE 7—REVENUES

Pursuant to the Sewer Services Agreement dated June 1, 2015 among the Town of Tuxedo, New York (the "Town"), the Corporation, and the developer, the Town is to pay Service Fees to the Corporation for the provision of sewer services, which include the construction and operation of the sewer facilities. The Town is to levy Special Assessments in an amount equal to the Special Assessment Requirement, which will be sufficient to pay the Service Fees. The Special Assessment Requirement, for each year, shall equal the District Budget, which consists of the District Revenues and District Expenditures for the following calendar year. District Revenues means all revenues available to pay the District Expenditures, taking into account service fees to be collected from the Hamlet District, as provided for in the Sewer Services Agreement. The District Expenditures means an amount equal to the service fee. Special Assessments are to be collected from the developed parcels in the Sewer Districts and will be allocated to each developed parcel within the Sewer Districts pursuant to the methodology outlined in the RMA.

Special Assessments will be payable in installments at the same time general real estate taxes are paid in the Town pursuant to a Memorandum of Understanding. The Town has agreed to apply its customary tax payment enforcement proceedings to the collection of any delinquent payment of Special Assessments. According to the Sewer Services Agreement, the Town will remit Service Fees to the Trustee no later than February 15 and May 15 of each year.

**TUXEDO FARMS LOCAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

The Special Assessment Requirement for 2015 is zero. As a result, there are no Special Assessments to be collected from parcels in the Sewer Districts in 2015.

NOTE 8—CONTINGENT LIABILITIES

There are no claims or lawsuits pending against the Corporation.

NOTE 9—EVALUATION OF SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through March 13, 2016 the date which the financial statements are available to be issued.

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*

Independent Auditor's Report

To the Board of the Tuxedo Farms
Local Development Corporation
Tuxedo, New York 10987

We have audited, 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, the financial statements of the Tuxedo Farms Local Development Corporation, a component unit of the Town of Tuxedo, New York, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Tuxedo Farms Local Development Corporation's financial statements and have issued our report thereon dated March 13, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Tuxedo Farms Local Development 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 Tuxedo Farms Local Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tuxedo Farms Local Development 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 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 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 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 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, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tuxedo Farms Local Development Corporation, New York'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*.

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 result 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.



Mongaup Valley, New York
March 13, 2016