

**Town of Hempstead
Industrial Development Agency**

**COMMUNICATION WITH THOSE CHARGED
WITH GOVERNANCE**

December 31, 2016

March 20, 2017

To the Board of Directors
Town of Hempstead Industrial Development Agency

We have audited the financial statements of the Town of Hempstead Industrial Development Agency (the Agency) for the year ended December 31, 2016. 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 28, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the financial statements. During 2016, the Agency adopted Governmental Accounting Standards Board (GASB) Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. We noted no transactions entered into by the Agency for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

The Agency's estimate of the other post-employment benefit plan (OPEB) is based on an actuarial valuation. We evaluated the key factors and assumptions used to develop the OPEB estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial and communicate them to the appropriate level of management. We proposed several adjustments as a result of audit procedures, which have been submitted to management for review and approval. The attached journal entries were recorded by management.

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 20, 2017.

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 Agency'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 Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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Other Matters

We applied certain limited procedures to the Management Discussion and Analysis, Budgetary Comparison Schedule, Post-Employment Health Insurance Benefit Plan Schedule of Funding Progress, Schedule of the Agency's Proportionate Share of the Net Pension Liability and Schedule of the Agency's Contributions, which are required supplementary information (RSI) that supplement 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 use of the Board of Directors and management of Town of Hempstead Industrial Development Agency 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 20, 2017

**Town of Hempstead Industrial Development Agency
Adjusting Journal Entries
December 31, 2016**

	Debit	Credit
<u>Adjusting Entry #1:</u>		
To reverse prior year deferred outflows.		
Dr: Net pension liability - proportionate share	\$51,711	
Cr: Deferred outflows of resources - Change in proportion and differences between Agency contributions and proportionate share		\$42,289
Cr: Deferred outflows of resources - net difference between projected and actual investment earnings		\$ 7,956
Cr: Deferred outflows of resources - difference between expected and actual		\$ 1,466
 <u>Adjusting Entry #2:</u>		
To adjust net pension liability - proportionate share for current year contributions.		
Dr: Net pension liability - proportionate share	\$66,464	
Cr: Pension expense - proportionate share		\$66,464
 <u>Adjusting Entry #3:</u>		
To record current year pension expense per the NYSLRS GASB 68 report.		
Dr: Pension expense - proportionate share	\$95,367	
Cr: Net pension liability - proportionate share		\$95,367

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	Debit	Credit
<u>Adjusting Entry #4:</u>		
To record current year deferred outflows per the NYSLRS GASB 68 report.		
Dr: Deferred outflows of resources - Change in proportion and differences between Agency contributions and proportionate share	\$ 76,700	
Dr: Deferred outflows of resources - net difference between projected and actual investment earnings	\$122,734	
Dr: Deferred outflows of resources - difference between expected and actual	\$ 1,045	
Dr. Deferred outflows of resources - changes in assumptions	\$ 55,169	
Cr: Net pension liability - proportionate share		\$255,648

<u>Adjusting Entry #5:</u>		
To record current year deferred inflows per the NYSLRS GASB 68 report.		
Dr: Net pension liability - proportionate share	\$ 25,958	
Cr: Deferred inflows of resources - difference between expected and actual		\$ 24,522
Cr. Deferred inflows of resources - change in proportion and difference between employer contribution and proportionate share		\$ 1,436