

**Town of Hempstead
Industrial Development Agency**

**COMMUNICATION WITH THOSE CHARGED
WITH GOVERNANCE**

December 31, 2017



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A PROFESSIONAL CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

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March 22, 2018

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, 2017. 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 29, 2017. 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 2017, the Agency adopted Governmental Accounting Standards Board (GASB) Statement 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*. 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. The 2017 valuation followed the Alternative Measurement Method (AMM) under GASB Statement 45. 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.



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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 22, 2018.

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.

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.

During the audit we became aware of certain other matters which we believe should be communicated to management and the Board of Directors. These matters are listed below.

Collateralization of Deposits

The Agency's investment policy requires all deposits of the Agency in excess of amounts insured under the provisions of the Federal Deposit Insurance Act to be secured. If secured by a pledge of eligible securities, Agency policy requires the value of these eligible securities to be equal to 105% of the aggregate amount of deposits. At December 31, 2017 the Agency was not in compliance with this policy. We encourage management to review collateral arrangements with the Agency's financial institutions. It is our understanding that as of the date of this letter, management is in the process of revising the investment policy.

We would also like to point out that the Agency's investment policy delegates Board of Director responsibility for administration of the Agency's investment program to the Agency's executive director. As of the time of financial statement issuance, the Agency does not have an individual in the role of executive director.

Project Administrative Fees

The Agency has an established project issuance fee schedule. During the audit we noted that the administrative fee charged upon the issuance of one 2017 project was incorrectly calculated, resulting in an overpayment to the Agency by Waterview Land Development, LLC of \$24,997. Adjustment was needed to the Agency's books and records to record a liability for this overpayment at December 31, 2017. We recommend the Agency implement control procedures over the calculation and review of project fees.

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Upcoming Accounting Pronouncements

We would like to make the Agency aware of new accounting pronouncements which have been issued and will impact the Agency in future years:

- The GASB has issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, the objective of which is to improve accounting and financial reporting for postemployment benefits other than pensions (OPEB). The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017.
- The GASB has issued Statement 85, *Omnibus 2017*, the objective of which is to address practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017.
- The GASB has issued Statement 87, *Leases*, 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 financial statements for periods beginning after June 15, 2019.

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 22, 2018

**Town of Hempstead Industrial Development Agency
Adjusting Journal Entries
December 31, 2017**

Debit Credit

Adjusting Entry #1:
To reclassify public hearing notice fees and compliance amounts for financial statement presentation purposes.

Dr: Fees	\$ 3,442	
Cr: Annual and Compliance Fees		\$ 3,000
Cr: Public Hearing Notices		\$ 442

Adjusting Entry #2:
To reverse prior year deferred outflows and inflows.

Dr: Net pension liability - proportionate share	\$255,648	
Dr: Deferred inflows of resources - difference between expected and actual	\$ 24,522	
Dr: Deferred inflows of resources - change in proportion and difference between employer contribution and proportionate share	\$ 1,436	
Cr: Net pension liability - proportionate share		\$ 25,958
Cr: Deferred outflows of resources - change in proportion and differences between Agency contributions and proportionate share		\$ 76,700
Cr: Deferred outflows of resources - net difference between projected and actual investment earnings		\$ 122,734
Cr: Deferred outflows of resources - difference between expected and actual		\$ 1,045
Cr: Deferred outflows of resources - change in assumptions		\$ 55,169

Adjusting Entry #3:
To adjust net pension liability - proportionate share for current year contributions.

Dr: Net pension liability - proportionate share	\$ 95,697	
Cr: Pension expense		\$ 95,697

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	Debit	Credit
<u>Adjusting Entry #4:</u>		
To record current year pension expense per the NYSLRS GASB 68 report.		
Dr: Pension expense	\$ 89,436	
Cr: Net pension liability - proportionate share		\$ 89,436

<u>Adjusting Entry #5:</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	\$ 96,755	
Dr: Deferred outflows of resources - net difference between projected and actual investment earnings	\$ 20,602	
Dr: Deferred outflows of resources - difference between expected and actual	\$ 2,585	
Dr. Deferred outflows of resources - changes in assumptions	\$ 35,237	
Cr: Net pension liability - proportionate share		\$155,179

<u>Adjusting Entry #6:</u>		
To record current year deferred inflows per the NYSLRS GASB 68 report.		
Dr: Net pension liability - proportionate share	\$ 22,967	
Cr: Deferred inflows of resources - difference between expected and actual		\$ 15,663
Cr. Deferred inflows of resources - change in proportion and difference between employer contribution and proportionate share		\$ 7,304

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Adjusting Journal Entries
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Debit Credit

Adjusting Entry #7:

To record liability for Waterview Land Development, LLC project fee as a result of incorrect fee calculation.

Dr: Fees	\$ 24,997	
Cr: Accrued expenses		\$ 24,997

Adjusting Entry #8:

To record accrual of professional legal services rendered and unbilled as of December 31, 2017 per attorney letter.

Dr: Professional fees	\$ 9,662	
Cr: Accrued expenses		\$ 9,662