

**Town of Hempstead
Industrial Development Agency**

**COMMUNICATION WITH THOSE CHARGED
WITH GOVERNANCE**

December 31, 2018



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A PROFESSIONAL CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

www.sheehancpa.com

March 23, 2019

To the Board of Directors
Town of Hempstead Industrial Development Agency
350 Front Street
Hempstead, New York 11550

We have audited the financial statements of the Town of Hempstead Industrial Development Agency (the Agency) for the year ended December 31, 2018. 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 October 23, 2018. 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 Agency are described in Note 1 to the financial statements. During 2018, the Agency adopted Governmental Accounting Standards Board (GASB) Statement 75, *Accounting and Financial Reporting for Post-employment Benefit Plans Other Than Pensions*. The implementation of this statement requires the Agency to report other post-employment benefit liabilities, expenses, deferred outflows of resources and deferred inflows of resources, as applicable, on the full accrual basis of accounting. 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 a third-party valuation. The 2018 valuation followed the Alternative Measurement Method (AMM) under GASB Statement 75. 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.

To the Board of Directors
Town of Hempstead Industrial Development Agency
March 23, 2019
Page 2

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 23, 2019.

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.

To the Board of Directors
Town of Hempstead Industrial Development Agency
March 23, 2019
Page 3

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis, Budgetary Comparison Schedule, Schedule of the Agency's Proportionate Share of the Net Pension Liability, Schedule of the Agency's Contributions and Schedule of the Changes in the Agency's Total OPEB Liability and Related Ratios, 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.

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

- 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 December 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 23, 2019

**Town of Hempstead Industrial Development Agency
Adjusting Journal Entries
December 31, 2018**

	Debit	Credit
<u>Adjusting Entry #1:</u>		
To reverse prior year deferred outflows and inflows.		
Dr: Net pension liability - proportionate share	\$155,179	
Dr: Deferred inflows of resources - difference between expected and actual	\$ 15,663	
Dr: Deferred inflows of resources - change in proportion and difference between employer contribution and proportionate share	\$ 7,304	
Cr: Net pension liability - proportionate share		\$ 22,967
Cr: Deferred outflows of resources - change in proportion and differences between Agency contributions and proportionate share		\$ 96,755
Cr: Deferred outflows of resources - net difference between projected and actual investment earnings		\$ 20,602
Cr: Deferred outflows of resources - difference between expected and actual		\$ 2,585
Cr: Deferred outflows of resources - change in assumptions		\$ 35,237
<u>Adjusting Entry #2:</u>		
To adjust net pension liability - proportionate share for current year contributions.		
Dr: Net pension liability - proportionate share	\$104,804	
Cr: Pension expense		\$104,804
<u>Adjusting Entry #3:</u>		
To record current year pension expense per the NYSLRS GASB 68 report.		
Dr: Net pension liability - proportionate share	\$ 84,166	
Cr: Pension expense - proportionate share		\$ 84,166

Town of Hempstead Industrial Development Agency
Adjusting Journal Entries
December 31, 2018
Page 2

	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	\$ 114,619	
Dr: Deferred outflows of resources - net difference between projected and actual investment earnings	\$ 49,982	
Dr: Deferred outflows of resources - difference between expected and actual	\$ 12,274	
Dr. Deferred outflows of resources - changes in assumptions	\$ 22,818	
Cr: Net pension liability - proportionate share		\$199,693

<u>Adjusting Entry #5:</u>		
To record current year deferred inflows per the NYSLRS GASB 68 report.		
Dr: Net pension liability - proportionate share	\$ 115,574	
Cr: Deferred inflows of resources - difference between expected and actual		\$ 10,143
Cr. Deferred inflows of resources - change in proportion and difference between employer contribution and proportionate share		\$ 6,772
Cr. Deferred inflows of resources - net difference between projected and actual investment earnings on pension plan investments		\$ 98,659

<u>Adjusting Entry #6:</u>		
To write prior year receivables not collectible.		
Dr: Fees	\$ 4,065	
Cr: Accounts receivable		\$ 4,065

Adjusting Entry #7:
 To reverse current year entry booked in QuickBooks related to OPEB in preparation for recording GASB 75 entries upon adoption in FY '18.

Dr: Post-retirement health benefits liability	\$198,009	
Cr: Post-retirement health benefits expense		\$198,009

Town of Hempstead Industrial Development Agency
Adjusting Journal Entries
December 31, 2018
Page 3

	Debit	Credit
<u>Adjusting Entry #8:</u>		
To record prior period adjustment related to GASB 75 implementation in FY '18.		
Dr: Opening Fund Balance	\$139,480	
Cr: Post-retirement benefits liability		\$139,480
<u>Adjusting Entry #9:</u>		
To record service cost and interest on OPEB liability under GASB 75.		
Dr: Post-retirement health benefits expense	\$ 58,529	
Cr: Post-retirement benefits liability		\$ 58,529