

**Town of Hempstead Industrial  
Development Agency**

**SCHEDULE OF INVESTMENTS  
WITH INDEPENDENT AUDITOR'S REPORT**

**December 31, 2018**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Town of Hempstead Industrial Development Agency  
Hempstead, New York

### **Report on the Schedule of Investments**

We have audited the accompanying Schedule of Investments (the Schedule) of the Town of Hempstead Industrial Development Agency (the Agency) as of December 31, 2018 and the related notes to the Schedule.

### **Management's Responsibility for the Schedule**

Management is responsible for the preparation and fair presentation of the Schedule 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 the Schedule that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Schedule 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 Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the Schedule 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 Agency's internal control. Accordingly, we express no such 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 Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors  
Town of Hempstead Industrial Development Agency

### **Opinion**

In our opinion, the Schedule referred to above presents fairly, in all material respects, the investments of the Agency as of December 31, 2018 in accordance with accounting principles generally accepted in the United States of America.

### **Other Matter**

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 Agency as of and for the year ended December 31, 2018, and our report thereon, dated March 23, 2019, expressed an unmodified opinion on those financial statements.

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

In accordance with *Government Auditing Standards*, we also have issued our report dated March 23, 2019 on our consideration of the Agency'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 with respect to the Schedule. The purpose of that report is solely 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 effectiveness of the Agency's 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 Agency's internal control over financial reporting and compliance with respect to the Schedule.

*Sheehan & Company CPA, P.C.*

Brightwaters, New York  
March 23, 2019



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER REPORTING OF THE SCHEDULE OF INVESTMENTS AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE  
SCHEDULE OF INVESTMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Town of Hempstead Industrial Development Agency  
Hempstead, New York

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 Schedule of Investments of the Town of Hempstead Industrial Development Agency (the Agency) as of December 31, 2018, and the related notes to the Schedule of Investments and have issued our report thereon dated March 23, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the Schedule of Investments, we considered the Agency'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 opinion on the Schedule of Investments, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency'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. 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 Industrial Development Agency

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's Schedule of Investments is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and investment policies as required by Section 2925 of the Public Authorities Law (PAL), non-compliance with which could have a direct and material effect on the determination of Schedule of Investments 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 non-compliance 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 Agency's internal control or on compliance with respect to the Schedule of Investments. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance with respect with the Schedule of Investments. Accordingly, this communication is not suitable for any other purpose.

*Sheehan & Company CPA, P.C.*

Brightwaters, New York  
March 23, 2019

# Town of Hempstead Industrial Development Agency

## SCHEDULE OF INVESTMENTS

December 31, 2018

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Cash	\$ <u>2,870,981</u>
Total investments	\$ <u>2,870,981</u>

See accompanying notes

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# Town of Hempstead Industrial Development Agency

## NOTES TO SCHEDULE OF INVESTMENTS

### 1. Background and organization:

The Town of Hempstead Industrial Development Agency (the Agency) was created in 1971 by the Town Board of the Town of Hempstead, under the provisions of the Laws of New York State. The Agency is authorized and empowered by the provisions of Article 18-A of the General Municipal Law of the State of New York, as amended, and Chapter 529 of the Laws of 1971 of the State of New York to undertake projects and to lease or sell properties. The purpose of the Agency is to provide benefits that reduce costs and financial barriers to the creation and to the expansion of business and to enhance the number of jobs in the Town of Hempstead.

The Agency is governed by a seven-member Board of Directors whose members are appointed by the Town of Hempstead Town Board and is considered a New York State public benefit corporation. At December 31, 2018, six of the seven positions were filled and one Board of Director position was vacant.

All governmental activities and functions performed by the Agency are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity includes functions and activities over which appointed Agency directors exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designations of management and ability to significantly influence operations and accountability for fiscal matters.

### 2. Summary of significant accounting policies:

#### Cash, cash equivalents and investments:

The statutes of the State of New York govern the Agency's investment policies. Agency monies must be deposited in banks and trust companies authorized for the deposit of monies by the Town of Hempstead. The Agency's Board of Director's responsibility for administration of the investment program is delegated to the Chief Executive Officer pursuant to resolution.

The Chief Executive Officer is authorized to invest monies not required for immediate expenditure. Permissible investments include:

- Special time deposit accounts.
- Certificates of deposit.



# Town of Hempstead Industrial Development Agency

## NOTES TO SCHEDULE OF INVESTMENTS

### 2. Summary of significant accounting policies (continued):

#### Cash, cash equivalents and investments (continued):

- Obligations of the United States of America.
- Obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America.
- Obligations of the State of New York.

All deposits, including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act must be secured by a pledge of eligible securities with an aggregate market value or provided by General Municipal Law. Eligible securities used for collateralizing deposits are to be held by the bank or trust company pursuant to security and custodial agreements.

There are no investments held by the Agency at December 31, 2018. There were no investment fees or commissions paid during the year ended December 31, 2018.

***Custodial credit risk - deposits/investments*** - Custodial credit risk for investments exist when, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

Deposits are required to be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

- Uncollateralized;
- Collateralized with securities held by the pledging financial institution in the Agency's name; or
- Collateralized with securities held by the pledging financial institution's trust department or agent but not in the Agency's name.

At December 31, 2018, the Agency's bank balances totaled \$8,659,877. This amount is exclusive of petty cash of \$64. Of the bank balances, \$500,000 was covered by federal deposit insurance and \$8,159,877 was secured by collateral held by the pledging financial institution's agent, a third-party financial institution, but not in the Agency's name.

***Credit risk*** - State law limits investments to those authorized by State statutes. The Agency has a written investment policy.

# Town of Hempstead Industrial Development Agency

## NOTES TO SCHEDULE OF INVESTMENTS

### 2. Summary of significant accounting policies (continued):

#### Cash, cash equivalents and investments (continued):

*Interest-rate risk* - Interest-rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase, thereby, affording potential purchasers more favorable rates on essentially equivalent securities. Accordingly, such investments would have to be held to maturity to avoid a potential loss.

*Concentration of credit risk* - Credit risk can arise as a result of failure to adequately diversify investments. Concentration risk disclosure is required for positions of 5% or more in securities of a single issuer.

At December 31, 2018, the Agency did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk.