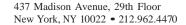
# Town of Hempstead Industrial Development Agency

# $\frac{\textbf{COMMUNICATION WITH THOSE CHARGED}}{\textbf{WITH GOVERNANCE}}$

**December 31, 2015** 







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A PROFESSIONAL CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

www.sheehancpa.com

March 25, 2016

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, 2015. 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 December 28, 2015. 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 2015, the Agency adopted Governmental Accounting Standards Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement 27, effective for the year ending December 31, 2015. GASB Statement 68 significantly changes how governments measure and report the long-term obligations and annual costs associated with the pension benefits they provide. During 2015, the Agency also adopted GASB Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement 68. The objective of GASB Statement 71 is to address an issue regarding application of the transition provisions of GASB Statement 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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.

To the Board of Directors Town of Hempstead Industrial Development Agency Page 2

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 25, 2016.



To the Board of Directors Town of Hempstead Industrial Development Agency Page 3

#### **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 supplements 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 believe the following other matter that has come to our attention should be communicated to management:

#### **Collateralization of Deposits**

The Agency's investment policy refers to the provisions of General Municipal Law regarding deposits of the Agency that exceed the amounts insured under the provisions of the Federal Deposit Insurance Act. These uninsured deposits shall be secured by a pledge of eligible securities with an aggregate market value equal to 110% of the aggregate amount of uninsured deposits. During our review of the collateral statements at year end, it was determined that the securities pledged and held by the financial institutions are less than 110%. We encourage you to review and revise the collateral agreements with the financial institutions to comply with the Agency's investment policy.



To the Board of Directors Town of Hempstead Industrial Development Agency Page 4

Sheehan & Company CPA, P.C.

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.

Brightwaters, New York

March 25, 2016



## Town of Hempstead Industrial Development Agency Adjusting Journal Entries December 31, 2015

**Debit** Credit

**Adjusting Entry #1:** 

To record a prior period adjustment to establish the beginning net pension liability, per the NYSLRS information provided for GASB 68.

Dr: Net position \$61,269

Cr: Net pension liability - proportionate share \$61,269

**Adjusting Entry #2:** 

To record pension activity as of the measurement date, March 31, 2015, per the NYSLRS information provided for GASB 68.

Dr: Deferred outflows of resources - Change in proportion and differences between Agency

contributions and proportionate share \$42,289

Dr: Pension expense - proportionate share \$52,026

Dr: Deferred outflows of resources - net difference between projected and actual

investment earnings \$ 7,956

Dr: Deferred outflows of resources - difference

between expected and actual \$ 1,466

Cr: Net pension liability - proportionate share \$ 103,737

**Adjusting Entry #3:** 

To adjust net pension liability to actual (for prior year contributions) per GASB 68.

Dr: Net pension liability - proportionate share \$119,201

Cr: Net position \$ 119,201

**Adjusting Entry #4:** 

To reverse pension accrual and pension expense per GASB 68 par 33(c).

Dr: Accrued expenses \$112,269

Cr: Pension expense \$112,269

