Town of Hempstead
Industrial Development Agency

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

December 31, 2021

SHEEHAN
ACCOUNTANTS & ADVISORS

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March 15, 2022

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

We have audited the financial statements of the Town of Hempstead Industrial Development Agency (the Agency), a component unit of the Town of Hempstead, New York, for the year ended December 31, 2021. 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 8, 2021. 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. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the Agency during the year 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 actuarial valuation. The valuation was prepared in accordance Governmental Accounting Standards Board (GASB) Statement 75,

Accounting and Financial Reporting for Post-employment Benefit Plans Other Than Pensions. 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 estimate of the Agency's proportionate share of the net pension liability for the New York State and Local Employees' Retirement System is based on an actuarial valuation as of March 31, 2021. We evaluated the key factors and assumptions used to develop the 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 clearly 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 15, 2022.

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's Discussion and Analysis, 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 were engaged to report on the budgetary comparison schedule, which accompanies the financial statements but is not RSI. With respect to this other supplementary information, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

In connection with our audit, nothing came to our attention that causes us to believe the Agency failed to comply with its Investment Policy, the New York State Office of the State Comptroller's Investment Guidelines, Section 2925 of the New York State Public Authorities Law or Section 201.3 of the New York State Public Authorities Law (collectively, the

Investment Guidelines), insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Had we performed additional procedures, other matters may have come to our attention regarding the Agency's non-compliance with the Investment Guidelines, insofar as they relate to accounting matters.

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

- The GASB has issued Statement No. 87, *Leases,* as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance,* 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 currently effective for the Agency's 2022 year.

- The GASB has issued Statement No. 91, *Conduit Debt Obligations*, as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the issuer, establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations and improving required note disclosures. The requirements of this Statement are currently effective for the Agency's 2022 year.

Restriction on Use

This information is intended solely for the use of members of the Board of Directors, management of Town of Hempstead Industrial Development Agency, and the New York State Office of the State Comptroller 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 15, 2022

Town of Hempstead Industrial Development Agency
Adjusting Journal Entries
December 31, 2021

	Debit	Credit
Adjusting Entry #1:		
To reverse prior year deferred outflows and inflows.		
Dr: Net pension liability - proportionate share	$ 229,670	
Dr. Deferred inflows of resources - changes in assumptions	$ 4,442	
Dr: Deferred inflows of resources - change in proportion and difference between employer contribution and proportionate share	$ 6,139	
Cr: Net pension liability - proportionate share		$ 10,581
Cr: Deferred outflows of resources - change in proportion and differences between Agency contributions and proportionate share		$ 5,144
Cr: Deferred outflows of resources - difference between expected and actual		$ 15,036
Cr: Deferred outflows of resources - change in assumptions		$ 78,519
Cr: Deferred outflows of resources – net difference between projected and actual investment earnings		$ 130,971
Adjusting Entry #2:		
To adjust net pension liability - proportionate share for current year contributions.		
Dr: Net pension liability - proportionate share	$40,833	
Cr: Pension expense		$40,833
Adjusting Entry #3:		
To record current year pension expense per the NYSLRS GASB 68 report.		
Dr: Pension expense - proportionate share	$ 66,665	
Cr: Net pension liability - proportionate share		$ 66,665

Town of Hempstead Industrial Development Agency
Adjusting Journal Entries
December 31, 2021
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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	$ 67,822	
Dr: Deferred outflows of resources - difference between expected and actual	$ 15,197	
Dr. Deferred outflows of resources - changes in assumptions	$ 228,801	
Cr: Net pension liability - proportionate share		$311,820
<u>Adjusting Entry #5</u>:		
To record current year deferred inflows per the NYSLRS GASB 68 report.		
Dr: Net pension liability - proportionate share	$ 372,800	
Cr. Deferred inflows of resources – change in assumptions		$ 4,315
Cr. Deferred inflows of resources - change in proportion and difference between employer contribution and proportionate share		$ 11,027
Cr. Deferred inflows of resources - difference Between expected and actual		$ 357,458
<u>Adjusting Entry #6</u>:		
To record current year deferred outflows and related expense per GASB 75.		
Dr: Post-retirement health benefits expense	$ 118,922	
Dr: Deferred outflows of resources - difference between expected and actual (OPEB)	$ 232,019	
Cr. Deferred inflows of resources - changes in assumptions		$ 32,975
Cr. Deferred outflows of resources - changes in assumptions		$ 26,952
Cr: Health insurance		$ 1,882
Cr: Postretirement health benefits liability		$ 289,132