

**Town of Hempstead  
Local Development Corporation**

**FINANCIAL STATEMENTS**

**December 31, 2010**

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A PROFESSIONAL CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Town of Hempstead Local Development Corporation

We have audited the accompanying statements of financial position of the Town of Hempstead Local Development Corporation (the Corporation), a component unit of the Town of Hempstead, as of December 31, 2010 and 2009 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2010 and 2009 and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 23, 2011 on our consideration of the Corporation'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. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink that reads "Sheehan & Company CPA, P.C." in a cursive, flowing script.

March 23, 2011

**Town of Hempstead  
Local Development Corporation**

**STATEMENTS OF FINANCIAL POSITION**

**December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 336,227	\$ 454,888
Property and equipment, net	<u>3,451</u>	<u>4,360</u>
Total assets	<u>\$ 339,678</u>	<u>\$ 459,248</u>
<b>Liabilities:</b>		
Accrued expenses	\$ -	\$ 973
Compensated absences	<u>-</u>	<u>2,795</u>
Total liabilities	<u>-</u>	<u>3,768</u>
<b>Net assets:</b>		
Unrestricted	<u>339,678</u>	<u>455,480</u>
Total net assets	<u>339,678</u>	<u>455,480</u>
Total liabilities and net assets	<u>\$ 339,678</u>	<u>\$ 459,248</u>

See notes to financial statements

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**Town of Hempstead  
Local Development Corporation**

**STATEMENTS OF ACTIVITIES**

**For the Years Ended December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Operating revenues:</b>		
Fees for services	\$ <u>5,222</u>	<u>\$ 410,535</u>
<b>Operating expenses:</b>		
Administrative expense	62,159	-
Salaries	11,146	13,672
Payroll taxes	946	1,442
Compensated absences	(2,795)	2,795
Health insurance	3,840	1,412
Contractual and professional fees	21,535	17,838
Advertising	12,028	125
Office and related expenses	2,715	3,882
Meetings and travel	8,313	-
Dues and subscriptions	1,350	-
Depreciation and amortization	<u>909</u>	<u>186</u>
Total operating expenses	<u>122,146</u>	<u>41,352</u>
Operating income (loss)	<u>(116,924)</u>	<u>369,183</u>
<b>Non-operating income:</b>		
Interest income	<u>1,122</u>	<u>1,089</u>
Change in net assets	(115,802)	370,272
Net assets, January 1	<u>455,480</u>	<u>85,208</u>
Net assets, December 31	<u>\$ 339,678</u>	<u>\$ 455,480</u>

See notes to financial statements

**Town of Hempstead  
Local Development Corporation**

**STATEMENTS OF CASH FLOWS**

**For the Years Ended December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	\$ (115,802)	\$ 370,272
<b>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</b>		
Depreciation	909	186
Increase (decrease) in liabilities:		
Accrued expenses	(973)	973
Compensated absences	(2,795)	2,795
Total adjustments to net income	<u>(2,859)</u>	<u>3,954</u>
Net cash provided (used) by operating activities	<u>(118,661)</u>	<u>374,226</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	<u>-</u>	<u>(4,546)</u>
Net cash (used) by investing activities	<u>-</u>	<u>(4,546)</u>
Net increase (decrease) in cash and cash equivalents	(118,661)	369,680
Cash and cash equivalents, January 1	<u>454,888</u>	<u>85,208</u>
Cash and cash equivalents, December 31	<u>\$ 336,227</u>	<u>\$ 454,888</u>

See notes to financial statements

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# Town of Hempstead Local Development Corporation

## NOTES TO FINANCIAL STATEMENTS

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### 1. Nature of activities:

The Town of Hempstead Local Development Corporation (the Corporation) was created in 1966 by the Town Board of the Town of Hempstead, under the provisions of the Laws of New York State. The purpose of the Corporation is to relieve and reduce unemployment, promote and provide for additional and maximum employment, improve and maintain job opportunities, instruct or train individuals to improve or develop their capabilities for such jobs, carry on scientific research for the purpose of aiding the Town of Hempstead by attracting new industry, through the encouragement of the development of or retention of an industry and lessen the burdens of the government, while acting in the public interest.

The Corporation is governed by a Board of Directors whose members are appointed by the Town of Hempstead Town Board and is considered a component unit of the Town of Hempstead.

### 2. Summary of significant accounting policies:

An understanding of the Corporation's practices will facilitate the review of the financial statements.

**Basis of accounting:** The financial statements of the Corporation have been prepared on the accrual basis of accounting and, accordingly, revenues are recorded when earned and expenses are recorded when incurred.

**Basis of presentation:** Financial statement presentation follows the recommendations of generally accepted accounting principles. In accordance with generally accepted accounting principles, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**Cash and cash equivalents:** For purposes of the Statements of Cash Flows, investments with maturities of three months or less when purchased are considered cash equivalents.

**Income tax status:** The Corporation was duly established under Sections 402 and 1411 of the Not-For-Profit Corporation Law and is a corporate governmental agency performing an essential governmental function. The income of the Corporation is excludable from gross income under Section 115 (i) of the Internal Revenue Code and, accordingly, these financial statements do not reflect a provision for income taxes.

**Town of Hempstead  
Local Development Corporation**

**NOTES TO FINANCIAL STATEMENTS**

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

**Use of estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Property and equipment:** Property and equipment are stated at cost. It is the Corporation's policy to capitalize any expenditures with an estimated useful life of greater than one year.

**Depreciation:** Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

**Advertising costs:** Advertising costs are charged to operations when incurred. Advertising costs for the years ended December 31, 2010 and 2009 are \$12,028 and \$125, respectively.

**Subsequent events:** Subsequent events have been evaluated through March 23, 2011, which is the date the financial statements were available to be issued.

**3. Conduit debt obligations, bond transactions:**

The Corporation issues tax-exempt bonds to provide financial assistance to non-profit entities for the acquisition and construction of industrial, recreational and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Corporation, the State, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2010 and 2009, outstanding debt induced by the Corporation and issued by other entities amount to approximately \$81,075,000 and \$81,075,000, respectively. Debt service is paid directly to the lender by the entity that incurred the supplemental debt. The Corporation has no liability or contingent liability for payment.



**Town of Hempstead  
Local Development Corporation**

**NOTES TO FINANCIAL STATEMENTS**

**4. Cash and cash equivalents:**

The Corporation maintains cash accounts with a bank. Balances are insured up to \$250,000 by the Federal Deposit Insurance Corporation. From time to time during the year, balances may exceed the insured amount.

**5. Property and equipment:**

Property and equipment, net is summarized as follows:

	<b><u>2010</u></b>	<b><u>2009</u></b>
Machinery and equipment	\$ 2,074	\$2,074
Furniture and fixtures	<u>2,472</u>	<u>2,472</u>
	4,546	4,546
Less accumulated depreciation	<u>(1,095)</u>	<u>(186)</u>
Property and equipment, net	<b><u>\$ 3,451</u></b>	<b><u>\$4,360</u></b>

Depreciation expense for the years ending December 31, 2010 and 2009 was \$909 and \$186, respectively.

**6. Liability for compensated absences:**

The Corporation, in conformity with the Town of Hempstead, maintains a policy which permits employees to accumulate a limited amount of earned but unused vacation leave and sick time, which will be used in future years or paid upon separation from the Corporation's service. Upon termination, an employee will be paid for a maximum of 640 hours of vacation time. Sick time will be paid in accordance with a schedule based upon years of completed service, up to 1,600 hours. The cost of accumulated vacation and sick leave, as well as an amount for salary related payments (i.e. Social Security and Medicare taxes), is recorded as a liability and expense when accrued.

The liability for compensated absences as of December 31, 2010 is as follows:

Balance, January 1	\$ 2,795
Additions (deletions)	<u>(2,795)</u>
Balance, December 31	<b><u>\$ -</u></b>

**Town of Hempstead  
Local Development Corporation**

**NOTES TO FINANCIAL STATEMENTS**

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**6. Liability for compensated absences (continued):**

Additions and deletions to compensated absences are shown net, since it is impractical to determine these amounts separately.

**7. Related party transactions:**

The Corporation shares office space with The Town of Hempstead Industrial Development Agency (the Agency), a related party. The Corporation and the Agency have the same executive and deputy executive directors.

In addition to office space, the Corporation also utilizes services of employees of the Agency. The Agency and the Corporation have an agreement in which the Corporation reimburses the Agency for rent, supplies, wages and related payroll costs. This reimbursement to the Agency is recorded as administrative expense. Amounts paid to the Agency for the years ended December 31, 2010 and 2009 were \$62,159 and \$-0-, respectively.