

Town of Huntington
Local Development Corporation

Financial Statements
with Independent Auditor's Reports

For the Years Ended December 31, 2015 and 2014

TOWN OF HUNTINGTON LOCAL DEVELOPMENT CORPORATION

Table of Contents

December 31, 2015

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis (MD&A)	3
Financial Statements	
Balance Sheets	5
Statements of Revenues, Expenditures and Changes in Fund Balance	6
Notes to Financial Statements	7
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	10

INDEPENDENT AUDITOR'S REPORT

Town Board Members
Town of Huntington Local Development Corporation
Huntington, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Town of Huntington Local Development Corporation (the Organization), which is a blended component unit reported as a nonmajor governmental special revenue fund of the Town of Huntington, New York, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity'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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Huntington Local Development Corporation, which is a blended component unit reported as a nonmajor governmental special revenue fund of the Town of Huntington, New York, as of December 31, 2015 and 2014, and the changes in financial position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Town of Huntington Local Development Corporation, which is a blended component unit reported as a nonmajor governmental special revenue fund of the Town of Huntington, New York, and do not purport to, and do not, present fairly the financial position of the Town of Huntington, New York, as of December 31, 2015 and 2014 and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operations, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2016, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement 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* in considering the Organization's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

March 14, 2016

TOWN OF HUNTINGTON LOCAL DEVELOPMENT CORPORATION
Management's Discussion and Analysis

This discussion and analysis of the Town of Huntington Local Development Corporation's (the Organization) financial performance provides an overview of the Organization's financial activities for the year ended December 31, 2015. Please read this in conjunction with the financial statements and the accompanying notes to those statements.

1. FINANCIAL HIGHLIGHTS

- The Organization's total assets increased \$146,628 during the calendar year 2015. The increase is primarily related to administrative service fees of \$195,009 for the 2015 bond transaction on behalf of St. Anthony's High School.
- The Organization's total revenues increased \$195,009 due to administrative services fees on bond financing and reimbursement on related expenses on new financing.
- As of December 31, 2015, the Organization reported a fund balance of \$330,610.

2. FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the Organization.

The financial statements have been prepared on the modified accrual basis of accounting. Under that basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or within 60 days after year end. Expenditures are generally recorded when incurred.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes can be found immediately following the financial statements.

3. BALANCE SHEETS

The following is a summary of the Organization's balance sheets as of December 31:

	2015	2014	Dollar Change
Total Assets	\$ 336,867	\$ 190,239	\$ 146,628
Liabilities	6,257	-	6,257
Fund Balance - Unassigned	330,610	190,239	140,371
Total Liabilities and Fund Balance	\$ 336,867	\$ 190,239	\$ 146,628

TOWN OF HUNTINGTON LOCAL DEVELOPMENT CORPORATION
Management's Discussion and Analysis (Continued)

4. STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

The following is a summary of the Organization's revenues, expenditures, and changes in fund balance for the years ended December 31:

	<u>2015</u>	<u>2014</u>	<u>Dollar Change</u>
Revenues	\$ 196,009	\$ 1,000	\$ 195,009
Expenditures	<u>55,638</u>	<u>2,500</u>	<u>53,138</u>
Change in Fund Balance	140,371	(1,500)	141,871
Fund Balance - January 1	<u>190,239</u>	<u>191,739</u>	<u>(1,500)</u>
Fund Balance - December 31	<u>\$ 330,610</u>	<u>\$ 190,239</u>	<u>\$ 140,371</u>

5. REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the Town of Huntington Local Development Corporation, a component unit of the Town of Huntington, New York's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to: Executive Director, Town of Huntington Local Development Corporation, 100 Main Street, Huntington, New York 11743.

TOWN OF HUNTINGTON LOCAL DEVELOPMENT CORPORATION
BALANCE SHEETS
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	<u>\$ 336,867</u>	<u>\$ 190,239</u>
Total Assets	<u>\$ 336,867</u>	<u>\$ 190,239</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 5,257	\$ -
Collections in advance	<u>1,000</u>	<u>-</u>
Total Liabilities	6,257	-
 Fund Balance		
Unassigned	<u>330,610</u>	<u>190,239</u>
Total Liabilities and Fund Balance	<u>\$ 336,867</u>	<u>\$ 190,239</u>

TOWN OF HUNTINGTON LOCAL DEVELOPMENT CORPORATION
Statements of Revenues, Expenditure and Changes in Fund Balance
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenues		
Fee income	<u>\$ 196,009</u>	<u>\$ 1,000</u>
Total Revenues	<u>196,009</u>	<u>1,000</u>
 Program Service Expenditures		
Advertising	963	-
Professional fees	7,553	2,500
Program support	26,779	-
Bank charges	15	-
Equipment	<u>20,328</u>	<u>-</u>
Total Program Expenditures	<u>55,638</u>	<u>2,500</u>
Net Change in Fund Balance	140,371	(1,500)
Fund Balance - January 1	<u>190,239</u>	<u>191,739</u>
Fund Balance - December 31	<u>\$ 330,610</u>	<u>\$ 190,239</u>

TOWN OF HUNTINGTON LOCAL DEVELOPMENT CORPORATION
Notes to Financial Statements

1. ORGANIZATION AND PURPOSE

Organization

The Town of Huntington Local Development Corporation (the Organization) was incorporated on April 7, 2010 under Section 1411 of the Not-for-Profit Corporation Law of the State of New York. The mission of the Organization is to conduct activities that will relieve and reduce unemployment, promote and provide for additional maximum employment, improve and maintain job opportunities, lessen the burdens of governments and act in the public interest by providing access to low interest tax exempt and non-tax exempt financing for eligible projects. The Town of Huntington Town Board members constitute the Organization's directors, and accordingly, the Organization's management is designated by the Town Board sitting as directors of the Organization. The Town Board is completely accountable for fiscal matters and the Town is the sole member of the Organization. The Town of Huntington is not liable for the Organization's bonds or notes.

The Organization is a blended component unit of the Town of Huntington, New York (Town) and is reported by the Town as a special revenue fund. These financial statements present only the Town of Huntington Local Development Corporation, and do not purport to, and do not present fairly the financial position of the Town of Huntington, New York, as of December 31, 2015 and 2014 and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

A. Basis of Accounting

The Organization uses the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when measurable and available. Available means collectible within the current period or within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures.

The modified accrual basis of accounting does not reflect any long-term assets or long-term liabilities of the Organization in the accompanying financial statements. These amounts are reflected in the government-wide financial statements of the Town.

B. Cash and Cash Equivalents

For purposes of the financial statements, the Organization considers all highly liquid cash accounts and other temporary investments of three months or less as cash equivalents.

TOWN OF HUNTINGTON LOCAL DEVELOPMENT CORPORATION
Notes to Financial Statements
(Continued)

C. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

D. Income Taxes

The Organization is a not-for-profit public benefit corporation and is exempt from income taxes under the Internal Revenue Code.

E. Conduit Financing

Conduit financing is a financing arrangement whereby a government or other qualified agency may use its organizational status to effect the terms of, and lessen the cost for, issuance of fixed-income securities from the private lending market to fund a non-profit organization's large capital project or refinance its existing debt. The debt is then repaid by the non-profit. The issuer may bring about conduit financing for those activities (i.e., economic development, housing, health facilities, etc.) that have a general public purpose and are consistent with the Organization's objectives as determined by its Board of Directors.

3. REVENUE BOND TRANSACTION

Bonds authorized by the Organization and issued through various lending institutions are designated as special obligations of the Organization and payable solely from the revenues and other assets pledged as collateral against the bonds. The Organization's right, title and interest to the property are assigned to a trustee until such point in time as the construction of property improvements has been completed or satisfaction of the obligation has been effected in full. The Organization does not act as a guarantor in the event of collateralized properties and revenues as specified in the applicable financing agreement are insufficient to meet debt service requirements. Additionally, in each of these financings, the Organization has assigned all rights to receive certain revenues derived with respect to the facilities it has financed to the holders of the revenue bonds. As a consequence, the Organization does not reflect such bonds or related properties on its financial statements. During 2015, the Organization issued \$34,930,000 in bonds to a private high school located in South Huntington, which yielded \$195,009 in administrative service transaction fees recorded as part of fee income in the statement of revenues, expenses and changes in net position. Local development revenue bonds authorized by the Organization and outstanding at December 31, 2015 and 2014 totaled \$51,454,476 and \$17,574,476, respectively.

4. CONCENTRATION OF CREDIT RISK

At December 31, 2015 and 2014, the carrying amount of the Organization deposits was \$336,867 and \$190,239, respectively. For the year ended December 31, 2015, the bank deposits exceeded FDIC insurance coverage by \$86,867. Subsequently, the Organization opened an additional account with a financial institution, resulting in all bank deposits being fully FDIC insured. Bank deposits as of December 31, 2014 were fully insured under FDIC insurance.

TOWN OF HUNTINGTON LOCAL DEVELOPMENT CORPORATION
Notes to Financial Statements
(Continued)

5. RELATED PARTY TRANSACTIONS

The Organization is related through common management with the Town of Huntington. The Town Board serves as Directors of the Organization. The Town of Huntington provides certain administrative and management services to the Organization. The costs of these services are not reflected in the accompanying financial statements.

6. SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through March 14, 2016 the date the financial statements were available to be issued. The Corporation has concluded that no additional subsequent events have occurred that require recognition or disclosure.

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

Town Board Members
Town of Huntington Local Development Corporation
Huntington, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Town of Huntington Local Development Corporation (Organization), a component unit of the Town of Huntington, New York, which comprise the balance sheet as of December 31, 2015, and the related statement of revenues, expenditures and changes in fund balance for the year then ended and the related notes to the financial statements, and have issued our report thereon dated March 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance which could have a direct and material effect on the determination of financial statement 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 noncompliance 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 effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. According, this communication is not suitable for any other purpose.

Cullen & Danowski, LLP

March 14, 2016

