BST
BOLLAM, SHEEDY, TORANI & CO. LLP
Certified Public Accountants

March 16, 2012

Audit Committee
Town of North Hempstead
Community Development Agency
51 Orchard Street
Roslyn Heights, New York 11577

Dear: Committee Members:

We are pleased to present this report related to our audit of the financial statements of the Town of North Hempstead Community Development Agency (Agency) (a component unit of the Town of North Hempstead, New York) for the year ended December 31, 2011. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for Agency's financial reporting process.

This report is intended solely for the information and use of the Audit Committee and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to be of service to Town of North Hempstead Community Development Agency.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP

William C. Freitag, Partner

WCF/dmc

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TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY
(A Component Unit of the Town of North Hempstead, New York)

COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE
Year Ended December 31, 2011

The American Institute of Certified Public Accountants issued Statement on Auditing Standards No. 114 titled, *The Auditor's Communication to Those Charged With Governance*, which requires that we communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications.

Auditor's Responsibility Under Professional Standards

Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated February 9, 2012.

Accounting Practices

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Agency. The Agency did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period except for the adoption of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition.* This statement establishes accounting and financial reporting requirements intended to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Significant or Unusual Transactions

We identified the significant transactions related to the economic development loan issued during the year and the property acquisition that occurred subsequent to year end leading to the cash with fiscal agent at year end. We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Alternative Treatments Discussed with Management

We did not discuss with management any alternative treatments within accounting principles generally accepted in the United States of America for accounting policies and practices related to material items during the current audit period.

Management's Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates is in the attached Exhibit A, Summary of Accounting Estimates.

Financial Statement Disclosures

In our meeting with management, we discussed with you the following items as they relate to the neutrality, consistency, and clarity of the disclosures in the financial statements:

- Adoption of GASB 54 and its impact on the financial statement presentation;
- Subsequent events, and
- Pronouncements issued not yet implemented.

Audit Adjustments

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

Unposted Adjustments

There were no unposted adjustments for the year ended December 31, 2011.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are aware the Agency utilizes an outside accountant to prepare the monthly reconciliations and the annual financial reports. We are not aware of any other consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

A significant issue arising from the audit and discussed with management was as follows:

- Subrecipients of federal awards are responsible for complying with various requirements of a grant. The pass-through agency is required to monitor subrecipient compliance.

While the Agency has monitoring procedures in place, including the performance of annual site visits, these site visits and monitoring procedures were not adequately documented during 2011.

Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management during the audit.

Certain Written Communications Between Management and Our Firm

Copies of certain written communications between our firm and the management of the Agency are attached as Exhibit B.

Significant Deficiencies and Material Weaknesses

We have separately communicated a significant deficiency identified during our audit of the financial statements and this communication is located in the schedule of findings and questioned costs included in the Single Audit reporting package.

We will be pleased to respond to any questions you have about these matters. We appreciate the opportunity to be of service to you.

This letter is intended solely for the information and use of the Audit Committee and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP

William C. Freitag, Partner

WCF/dmc

Exhibit A

TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY
(A Component Unit of the Town of North Hempstead, New York)

SUMMARY OF ACCOUNTING ESTIMATES
Year Ended December 31, 2011

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the Agency's December 31, 2011, financial statements:

Area	Accounting Policy	Estimation Process
Other Postemployment Benefits (OPEB)	The Agency recognizes a net OPEB obligation in long-term liabilities.	The estimate is developed by the Agency entering census information into a system where actuarial assumptions are applied to plan information to generate the liability.

Exhibit B

TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY
(A Component Unit of the Town of North Hempstead, New York)

CERTAIN WRITTEN COMMUNICATIONS BETWEEN
MANAGEMENT AND OUR FIRM
Year Ended December 31, 2011

Representation Letter

TOWN OF NORTH HEMPSTEAD

PHONE (516) 869-2480
FAX (516) 626-3953

COMMUNITY DEVELOPMENT AGENCY
51 ORCHARD STREET
ROSLYN HEIGHTS, N.Y. 11577-1326

AGENCY BOARD
LAMONT R. BAILEY
CHRISTOPHER A. GIOIA
RODNEY A. CAINES
HOWARD S. WEITZMAN
JEFFREY M. GREILSHEIMER

DERMOT F. KELLY
EXECUTIVE DIRECTOR

March 16, 2012

Bollam, Sheedy, Torani & Co. LLP
26 Computer Drive West
Albany, New York 12205

In connection with your audit of the financial statements of the Town of North Hempstead Community Development Agency (Agency) (a component unit of the Town of North Hempstead, New York) as of and for the year ended December 31, 2011, we confirm, that we are responsible for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America (GAAP).

We confirm to the best of our knowledge and belief, as of the date of your independent auditor's report, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with GAAP. The Agency's accounting principles and the practices and methods followed in applying them, are as disclosed in the financial statements, and there have been no changes during the year ended December 31, 2011, in the Agency's accounting principles and practices, except as noted herein.

2. We are a component unit of Town of North Hempstead, New York, as this term is defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards.

3. We have identified for you all of our funds and have properly classified them.

4. We are responsible for compliance with laws and regulations applicable to the Agency, including the requirements of OMB Circular A-133.

5. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

6. We have identified in the Schedule of Expenditures of Federal Awards all such assistance received, both directly and as a subrecipient, in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations by the Agency.

7. We have:

   a. Identified to you all applicable generic compliance requirements.

   b. Identified to you all applicable agency program requirements.

   c. Complied with reporting requirements in connection with the expenditure of Federal awards identified in the Schedule of Expenditures of Federal Awards.

d. Determined amounts claimed or used to comply with matching requirements of Federal awards identified in the Schedule of Expenditures of Federal Awards in accordance with guidance provided by OMB Circular A-87, *Cost Principles for State and Local Governments*, and the OMB Circular 102, *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.

e. Complied with applicable cost principles for determining the allowability of costs charged to cost pools used to support an indirect cost rate or allocated through a local-wide central services cost allocation plan.

f. Provided you with a summary schedule of prior audit findings consistent with the requirements of OMB Circular No. A133, Section .315(b).

g. With respect to monitoring subrecipients, we have:

(1) Identified Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency. If some of this information was not available, we provided the best information available to describe the Federal award.

(2) Advised subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the Agency.

(3) Monitored the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

(4) Ensured that subrecipients expending $500,000 or more in Federal awards during their fiscal year have met Single Audit and OMB Circular No. A-133 requirements for that fiscal year.

(5) Issued a management decision on all audit findings within six months after receipt of the subrecipient's audit report and ensured that the subrecipient takes appropriate and timely corrective action.

(6) Considered whether subrecipient audits necessitate adjustment of the Agency records.

(7) Required each subrecipient to permit the Agency and auditors to have access to the recordsand financial statements as necessary for the Agency to comply with the Single Audit Act and OMB Circular No. A-133.

h. Identified and disclosed to you all amounts that have been questioned, and all known instances of noncompliance with statutory, regulatory, and contractual requirements that could have a material effect on a major Federal financial assistance program.

i. Accurately completed appropriate sections of the data collection form.

8. Information presented in Federal financial reports and claims for advances and reimbursements is supported by the books and records from which the financial statements have been prepared. The copies of such requests and claims provided to you are true copies of the reports submitted.

9. We have made available to you:

a. All financial records and related data of all funds and account groups, including those of all special funds, programs, departments, projects, activities, etc., in existence at any time during the period covered by your audit, and all audit or relevant monitoring reports, if any, received from funding sources.

b. All minutes of the meetings of the governing board and committees of board members or summaries of actions of recent meetings for which minutes have not yet been prepared.

c. All communications from grantors, lenders, other funding sources, or regulatory agencies concerning noncompliance with:

(1) Statutory, regulatory, or contractual provisions or requirements.

(2) Financial reporting practices that could have a material effect on the financial statements.

(3) Prior year audit findings follow-ups by federal and/or state auditors.

10. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.

a. We have no knowledge of any allegations of fraud or suspected fraud affecting theAgency received in communications from employees, former employees, analysts, regulators, short sellers, or others.

b. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Agency's ability to record, process, summarize, and report financial data.

11. There has been no:

a. Fraud involving management or employees whohave significant roles in internal control.

b. Fraud involving other employees that could have a material effect on the financial statements.

c. Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial repoting practices that could have a material effect on the financial statements.

d. There is an ongoing trial in the Nassau County Criminal Court involving Neville Mullins the former Executive Director of the Agency and David Wasserman the former Chairman of the Agency. Neither Mr. Mullins nor Mr. Wasserman was involved in the management of the Agency in FYE 12/31/11.

12. We know of no violations of state or federal statutory or regulatory provisions, grants, or other contractual provisions, or of provisions of local ordinances, except for those which have been communicated to you or which are disclosed in the financial statements and/or your reports.

13. We have no plans or intentions that may materially affect the carrying value or classification ofassets and liabilities.

14. The following have been properly reflected and/or disclosed in the financial statements:

a. Related party transactions, including those with the primary government having accountability for the Agency, component units for which the Agency is accountable, other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees, all of which have been recorded in accordance with the economic substance of the transaction.

b. Security agreements in effect under the Uniform Commercial Code.

c. Reserves of fund equities and restrictions of net assets.

d. The effect on the financial statements of Governmental Accounting Standards Board (GASB) Statement No. 63 which has been issued, but which we have not yet adopted.

e. Concentration of credit risk.

15. With respect to the Management's Discussion and Analysis and the General Fund budget to actual comparison presented as required by the GASB to supplement the financial statements:

    a. We acknowledge our responsibility for the presentation of such required supplemental information.

    b. We believe such required supplemental information is measured and presented in accordance with guidelines prescribed by GAAP.

    c. The methods of measurement or presentation have not changed from those used in the prior period.

16. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:

    a. To reduce receivables to their estimated net collectible amounts.

    b. For pension obligations and post-retirement benefits other than pensions, attributable to employee services rendered through December 31, 2011.

    c. For any material loss to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.

17. There are no:

    a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.

    b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 10.

    c. Component units.

    d. Organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

    e. Jointly governed organizations in which we participated.

    f. Guarantees, whether written or oral, under which the Agency is contingently liable.

    g. Arrangements with financial institutions involving compensating balances or other arrangements involvig restrictions on cash balances and line-of-credit or similar arrangements.

    h. Agreements to repurchase assets previously sold.

    i. Liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.

    j. Contractual obligations for plant construction or purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.

    k. Liabilities which are subordinated in any way to any other actual or possible liabilities.

    l. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.

    m. Debt issue provisions.

n. Leases or material amounts of rental obligations under long-term leases.

o. Authorized but unissued bonds or notes and our legal debt limit.

p. Risk financing activities.

q. Investments.

r. Derivative financial instruments.

s. Obsolete, damaged, or excess inventories.

t. Investments, intangibles, or other assets which have permanently declined in value b their realizable values.

u. Uninsured losses or loss retentions (deductibles) attributable to events occurring through December 31, 2011, or for expected retroactive insurance premium adjustments applicable to periods through December 31, 2011.

v. Deferred compensation agreements.

w. Material losses to be sustained as a result of purchase commitments.

x. Environmental clean-up obligations.

18. Unless disclosed to you, there have been no complaints filed with or concerning our compliance with the provisionsof uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 relative to acquisition of real property and the relocation of occupants of acquired property.

19. No material civil rights suits were settled during the period of your audit, and no civil rights suits are pending as of December 31, 2011.

20. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with GASB Statement No. 10.

21. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private that is not disclosed in the financial statements.

22. There are no material transactions that have not been properly recorded in the accountingrecords underlying the financial statements.

23. We have satisfactory title to all owned assets.

24. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

25. We are responsible for establishing and maintaining effective internal control over financial reporting and compliance. We are not aware of any material internal control weaknesses or significant deficiencies other than those reflected in your schedul of findings and questioned costs.

26. We have responded fully to all inquiries made to us by you during your audit.

27. We are responsible for determining that significant events or transactions that have occurred since the statement of net assets date and through March 16, 2012 have been recognized or disclosed in the financial statements. No events or transactions, other than those disclosed in the financial statements, have occurred subsequent to the statement of net assets date and through March 16, 2012, that would require recognition or disclosure in the financial statements.

28. In considering the disclosures that should be made about risks and uncertainties, we have concluded that the following are required:

- Use of estimates, and
- Concentration of credit risk.

29. We have adopted:

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition.* This statement establishes accounting and financial reporting requirements intended to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

30. During the course of your audit, you may have accumulated records containing data which should be reflectd in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

31. The undersigned have overseen the services provided and have established and maintained internal controls, including the monitoring of ongoing activities related to the non-attest services of drafting the schedule of expenditures of federal awards.

Very truly yours,

TOWN OF NORTH HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY

Dermot Kelly, Executive Director

Joseph Santamaria, CFO