



March 20, 2013

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

Dear Members of the Board:

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 New Hempstead, New York) for the year ended December 31, 2012. 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 continue to be of service to the Agency.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP

William C. Freitag, Partner

WCF/dmc

TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY

**COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE
Year Ended December 31, 2012**

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit, as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities and the Planned Scope and Timing of the Financial Statement Audit

Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated November 28, 2012.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under generally accepted principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Agency. Following is a description of accounting standards the Agency adopted during the year to comply with accounting principles generally accepted in the United States of America (U.S. GAAP):

Effective January 1, 2012, the Agency adopted Government Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting pronouncements issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Effective January 1, 2012, the Agency adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

Adoption of these accounting standards did not significantly impact the Agency's financial statements.

Significant or Unusual Transactions

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Management's Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Exhibit A, Summary of Significant Accounting Estimates.

TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY

**COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE
Year Ended December 31, 2012**

Financial Statement Disclosures

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

- Loan receivables, and
- Property held for redevelopment.

Audit Adjustments

Audit adjustments proposed by us and recorded by the Agency are shown on the attached Exhibit B, Summary of Recorded Audit Adjustments.

Uncorrected Misstatements

There are no uncorrected misstatements.

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 not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

No significant issues arising from the audit were discussed with or the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

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

Communicating Significant Deficiencies and Material Weaknesses in Internal Control over Financial Reporting

Our consideration of internal control over financial reporting was for the limited purpose of expressing an opinion on the financial statements, and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal controls over financial reporting that we consider to be material weaknesses or significant deficiencies.

Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of the Agency, including the draft representation letter to be provided to us by management, are attached as Exhibit C.

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

TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY

**COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE
Year Ended December 31, 2012**

This letter is intended solely for the information and use of the Board of Directors and management 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

A handwritten signature in black ink, appearing to read "William C. Freitag", with a long horizontal flourish extending to the right.

William C. Freitag, Partner

WCF/dmc

TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY

SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES
Year Ended December 31, 2012

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, 2012, financial statements:

<u>Estimate</u>	<u>Accounting Policy</u>	<u>Estimation Process</u>
Allowance for Uncollectible Accounts	Allowance is based on a review of outstanding amounts on a monthly basis.	Management determines the allowance for uncollectible accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts.
Other Postemployment Benefits	Management provides an accrual for postemployment benefits related to health insurance coverage for certain retirees. The accrual is based on an actuary's estimate of these obligations. These estimates are subject to revision based on changes in actuarial assumptions, including retirement age, mortality, turnover, healthcare cost trends, discount rate, and/or other circumstances.	Management receives an estimate of these liabilities from an independent actuary and reviews these estimates for reasonableness.
Property Held for Redevelopment	Management capitalizes acquisition and other costs incurred necessary to bring properties held for redevelopment into a ready for use state.	Management values property held for redevelopment at historical cost based on actual expenditures.

We have evaluated management's significant accounting estimates noted above as part of our audit, and concluded that management's estimates and the estimation process appear reasonable in the context of the financial statements taken as a whole.

TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY
SUMMARY OF RECORDED AUDIT ADJUSTMENTS
Year Ended December 31, 2012

Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expense
• <u>Current Year Unposted Adjustments</u>					
• Known Errors					
• To record home buyer subsidy loan receivables in the Agency-wide statement of net position	\$ 221,853	\$ 221,853	\$ -	\$ -	\$ -
Cumulative Statement of Activities Effect			-	-	-
Cumulative Statement of Net Position Effect	<u>\$ 221,853</u>	<u>\$ 221,853</u>	<u>\$ -</u>		

TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY

**SIGNIFICANT WRITTEN COMMUNICATIONS BETWEEN
MANAGEMENT AND OUR FIRM
Year Ended December 31, 2012**

Representation Letter



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

AGENCY BOARD
LAMONT R. BAILEY, CHAIRMAN
RODNEY A. CAINES
JEFFREY M. GREILSHEIMER
HOWARD S. WEITZMAN

DERMOT F. KELLY
EXECUTIVE DIRECTOR

March 20, 2013

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

This representation letter is provided 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), which comprise the governmental activities, each major fund, and the aggregate remaining fund information as of December 31, 2012. We confirm that we are responsible for the fair presentation of the statement of net position, statement of changes in net position, governmental and fiduciary fund balance sheets, and the governmental fund statement of revenues, expenditures, and changes in fund balance in conformity with accounting principles generally accepted in the United State of America (U.S. 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:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated November 28, 2012, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. 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, 2012, in the Agency's accounting principles and practices, except as noted herein.

2. We acknowledge our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with Governmental Accounting Standards Board (GASB) Statement No. 62.

6. The following have been properly recorded and/or disclosed in the financial statements:
 - a. Related party transactions including those as defined in Section 2250 of GASB'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 transactions.
 - b. All leases and/or material amounts of rental obligations under long-term leases.
 - c. Deposit disclosures required under Sections C20: *Cash Deposits with Financial Institutions*, of GASB's Codification of Governmental Accounting and Financial Reporting Standards.
 - d. All significant estimates and/or material concentrations known to management. Significant estimates are estimates at the balance sheet date that could change materially in the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur that would significantly disrupt normal finances the next year.
 - e. Restrictions on fund balances and net position.
 - f. The effect on the financial statements of GASB Statements which have been issued, but which we have not yet adopted.

Information Provided

7. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the Agency from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the Board of Directors and committees of the Board of Directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - e. All communications from grantors, lenders, other funding sources, or regulatory agencies concerning noncompliance with:
 - 1) Statutory, regulatory, or contractual provisions or requirements, and
 - 2) Financial reporting practices that could have a material effect on the financial statements.
8. We have identified for you all organizations that are a part of this reporting entity or with which we have a relationship, as these organizations are defined in Section 2100 of the Governmental Accounting Standards Board's (GASB) Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards.
9. All transactions have been recorded in the accounting records and are reflected in the financial statements.
10. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.

11. We have no knowledge of allegations of fraud or suspected fraud affecting the Agency's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in the internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
12. We have no knowledge of any allegations of fraud or suspected fraud affecting the Agency's financial statements received in communications from employees, former employees, or others.
13. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
14. We know of no violations of state or federal statutory or regulatory provisions, grants or other contractual provisions, or of provisions of local ordinances.
15. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements. 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. 62.
16. We have disclosed to you the identity of the Agency's related parties and all the related-party relationships and transactions of which we are aware.
17. 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.
18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private or to special assessment bond holders that is not disclosed in the financial statements.
20. We have no plans or intentions that may materially affect the carrying value or classification of assets.
21. 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 and disclosure have been made:
 - a. To reduce receivables to their estimated net collectible amounts.
 - b. For post-employment benefits attributable to employee services rendered through December 31, 2012.
22. Except as disclosed in the financial statements, there are no:
 - a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.

- b. 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 Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
- c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62.
- d. Guarantees, whether written or oral, under which the Agency is contingently liable.
- e. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
- f. Lines-of-credit or similar arrangements.
- g. Agreements to repurchase assets previously sold.
- h. Security agreements in effect under the Uniform Commercial Code.
- i. Liens or encumbrances on assets or revenues or any assets or revenues which are pledged as collateral for any liability or which are subordinated in any way.
- j. Contractual obligations for plant construction or purchase of real property, equipment, other assets, or intangibles.
- k. Liabilities which are subordinated in any way to actual or possible liabilities.
- l. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
- m. Debt issue provisions.
- n. Investment securities.
- o. Authorized but unissued bonds or notes.
- p. Risk financing activities.
- q. Derivative financial instruments.
- r. Obsolete, damaged, or excess inventories to be reduced to their estimated net realizable values.
- s. Impairments of long-lived assets or other assets which have permanently declined in values that require adjustment to their realizable values.
- t. Risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through December 31, 2012, or for expected retroactive insurance premium adjustments applicable to periods through December 31, 2012.
- u. Material losses to be sustained in the fulfillment of or from the inability to fulfill any service commitment.
- v. Material losses to be sustained as a result of purchase commitments.

- w. Pollution remediation obligations as defined by Section P40 of GASB's Codification of Governmental Accounting and Financial Reporting Standards.
23. The Agency has satisfactory title to all owned assets.
 24. We agree with the findings of the specialist in evaluating the present value of post-employment benefits and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence and objectivity of specialists.
 25. In considering the disclosures that should be made about risks and uncertainties, we have concluded that the following are required:
 - a. Significant estimates, and
 - b. Federal grant revenue concentration.
 26. With respect to the required supplementary information presented in the financial statements as a whole:
 - a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 27. We are responsible for determining that significant events or transactions that have occurred since the balance sheet date and through March 20, 2013, have been recognized or disclosed in the financial statements. No events or transactions have occurred subsequent to the statement of financial position date and through March 20, 2013, that would require recognition or disclosure in the financial statements. We further represent that as of March 20, 2013, the financial statements were complete in a form and format that complied with U.S. GAAP, and all approvals necessary for issuance of the financial statements had been obtained.
 28. Effective January 1, 2012, we adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting pronouncements issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Effective January 1, 2012, we adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.
 29. During the course of your audit, you may have accumulated records containing data that should be reflected 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.

Government Auditing Standards and Single Audit

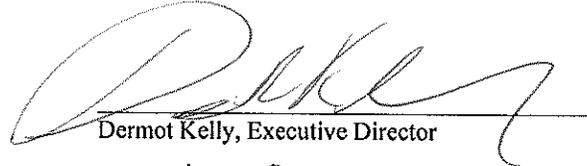
30. We are responsible for:
 - a. Compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the Agency.
 - b. Establishing and maintaining effective internal control over financial reporting.
31. We have identified and disclosed to you:
 - a. All laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determinations of financial statement amounts or other financial data significant to audit objectives.
 - b. Violations (and possible violations) of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for disclosure in the auditor's report on noncompliance.
32. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that has been reported.
33. We have a process to track the status of audit findings and recommendations.
34. We have identified for you previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective action taken to address significant findings and recommendations.
35. We have provided you with our views on your reported findings, conclusions, and recommendations, as well as our planned corrective actions for the report.
36. We are responsible for complying, and have complied, with the requirements of Circular A-133.
37. We are responsible for the Schedule of Expenditures of Federal Awards (the Schedule), and we have prepared the Schedule in accordance with Circular A-133 Section 310.b. We have included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, and property (including donated surplus property, cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance). We further acknowledge that:
 - a. The methods of measurement or presentation have not changed from those used in the prior period or, if the methods of measurement have changed, we have provided you with the reasons for such changes.
 - b. We are responsible for understanding and complying with the compliance requirements related to the preparation of the Schedule.
38. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that the Agency is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on our federal programs.
39. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of the Agency's federal programs and have complied, in all material respects, with those requirements.

40. We have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
41. We have provided you with our interpretations of any compliance requirements that have varying interpretations.
42. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies or pass-through entities related to federal programs.
43. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including those resulting from other audits or program reviews.
44. We have charged costs to federal awards in accordance with applicable cost principles.
45. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
46. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
47. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
48. We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of Circular A-133.
49. We have issued management decisions on a timely basis after our receipt of subrecipients' auditors' reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements, and we have ensured that subrecipients have taken the appropriate and timely corrective action on findings.
50. We have considered the results of subrecipient audits and have made any necessary adjustments to the books and records of the Agency.
51. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by Circular A-133.
52. We have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
53. We have accurately completed the appropriate sections of the data collection form.
54. We have disclosed all contracts or other agreements with service organizations.
55. We have disclosed to you all communications from service organizations relating to noncompliance at those organizations.
56. We have disclosed any known noncompliance occurring subsequent to the period for which compliance is audited.

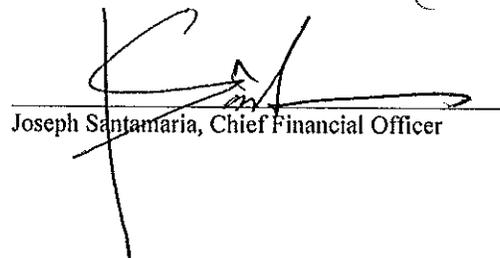
57. We have disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies (including material weaknesses), have occurred subsequent of the date as of which compliance is audited.

Very truly yours,

TOWN OF NORTH HEMPSTEAD COMMUNITY
DEVELOPMENT AGENCY



Dermot Kelly, Executive Director



Joseph Santamaria, Chief Financial Officer