



SOUTHOLD LOCAL DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS
DECEMBER 31, 2017

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

SOUTHOLD LOCAL DEVELOPMENT CORPORATION
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Jones, Little & Co., CPA's, LLP

Thomas Jones, CPA
Roy Little, CPA
Kathleen Galway, CPA
Lori LaPonte, CPA
www.jonesandlittle.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Southold Local Development Corporation
Southold, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Southold Local Development Corporation (the Corporation), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, and cash flows for the year then ended and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 Corporation'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 Corporation'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of the Corporation as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2018, 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 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 Corporation's internal control over financial reporting and compliance.

Jones, Little + Co, CPAs, LLP

Port Jefferson Station, New York
April 13, 2018

SOUTHOLD LOCAL DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

Cash	<u>\$ 97,262</u>
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TOTAL ASSETS	<u><u>\$ 97,262</u></u>
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LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued liabilities	<u>\$ 1,100</u>
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<u>1,100</u>

TOTAL LIABILITIES

NET ASSETS - UNRESTRICTED	<u>96,162</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 97,262</u></u>
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See Notes to Financial Statements.

SOUTHOLD LOCAL DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

OPERATING REVENUES:	
Administrative fees	<u>\$ 5,000</u>
Total Operating Revenues	<u>5,000</u>
OPERATING EXPENSES:	
Consultant fees	16,200
Legal fees	1,614
Other expenses	171
Professional fees	1,423
Travel	<u>150</u>
Total Operating Expenses	<u>19,558</u>
Net Operating Loss	(14,558)
CHANGES IN NET ASSETS	(14,558)
NET ASSETS UNRESTRICTED - BEGINNING OF THE YEAR	<u>110,720</u>
NET ASSETS - UNRESTRICTED - END OF YEAR	<u><u>\$ 96,162</u></u>

See Notes to Financial Statements.

SOUTHOLD LOCAL DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from charges for services	\$ 5,000
Cash payments for contractual expenses	<u>(19,508)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(14,508)</u>
NET DECREASE IN CASH	<u>(14,508)</u>
CASH - BEGINNING OF YEAR	<u>111,770</u>
CASH - END OF YEAR	<u><u>\$ 97,262</u></u>
RECONCILIATION OF CHANGES IN NET ASSETS TO	
NET CASH USED IN OPERATING ACTIVITIES:	
Changes in net assets	\$ (14,558)
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Increase in liabilities:	
Accounts payable and accrued liabilities	<u>50</u>
	<u><u>\$ (14,508)</u></u>

See Notes to Financial Statements.

SOUTHOLD LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1: ORGANIZATION

The Southold Local Development Corporation (the Corporation) is a not-for-profit corporation incorporated on June 27, 2014 under New York Law. The Corporation's purpose is to promote and conduct economic development activities in the Town of Southold and to finance facilities for not-for-profit corporations so that they may acquire, improve, maintain, equip and furnish such projects. Although the Town of Southold is not financially accountable for the Corporation, it does appoint the Board and as such is considered a related-party to the Corporation.

The Corporation uses the Town of Southold (the Town) facilities; there is no written agreement for this arrangement. Also, the Town provides necessary insurance coverages to the Corporation for the year ended December 31, 2017.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Statement Presentation

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. In addition, the Corporation is required to present a statement of cash flows. All of the Corporation's activities are unrestricted net assets.

b. Basis of Accounting

Accounting for revenues and expenses are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

c. Cash

Cash is composed of available cash balances maintained in bank deposit accounts, which is insured by Federal Deposit Insurance Corporation (FDIC).

d. 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 and disclosures. Accordingly, actual results could differ from those estimates.

e. Income Taxes

The Corporation is a not-for-profit corporation organized pursuant to sections 402 and 1411 of the New York State Not-for-Profit Corporation law and is, therefore, exempt from income taxes. The Corporation is also exempt from Federal reporting requirements under Internal Revenue Service Revenue Procedure 95-48, 1995-2 C.B. 418 as a governmental unit or affiliate of a governmental unit described in the procedure.

SOUTHOLD LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3: CONDUIT DEBT OBLIGATIONS

The Corporation may issue revenue bonds to provide financial assistance to not-for-profit corporations for the acquisition of construction and equipment facilities for not-for-profits deemed to be in the public interest or refunding high-interest rate debt. The bonds are required to be 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 not-for profit organizations served by the bond issuance.

Neither the Corporation, the Town of Southold, 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, 2017, there was \$19,555,000 of conduit debt outstanding.

NOTE 4: AGREEMENT

The Corporation has a business consultant agreement for executive director services for the term January 1, 2016 to December 31, 2020 (the Agreement). The Agreement provides for such items as a termination provision of 30 days with cause and 90 days without cause. The remaining fees due for the executive director's services, exclusive of out of pocket expenses, under the Agreement is as follows:

\$1,400 per month (\$16,800 annually) for the year ended December 31, 2018

\$1,450 per month (\$17,400 annually) for the year ended December 31, 2019

\$1,500 per month (\$18,000 annually) for the year ended December 31, 2020

NOTE 5: SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through the date of the report, April 13, 2018, which was the date the financial statements were available to be issued. No subsequent events were identified.



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**INDEPENDENT AUDITORS' 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***

To the Board of Directors of the
Southold Local Development Corporation
Southold, 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 Southold Local Development Corporation (the Corporation), which comprise the statement of net assets as of December 31, 2017, and the related statements of activities and changes in net assets, and cash flows for the year ended December 31, 2017 and the related notes to the financial statements, and have issued our report thereon dated April 13, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 Corporation'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 would not necessarily 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 Corporation'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 with 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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jones, Little + Co, CPAs, LLP

Port Jefferson Station, New York
April 13, 2018