

**Town of Ramapo Local
Development Corporation
(A Component Unit of the
Town of Ramapo, New York)**

**FINANCIAL
STATEMENTS**

**FOR THE YEAR ENDED
DECEMBER 31, 2015**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Town of Ramapo Local Development Corporation
(a component unit of the Town of Ramapo, New York)

Report on the Financial Statements

We have audited the accompanying financial statements of the Town of Ramapo Local Development Corporation (a component unit of the Town of Ramapo, New York) which comprise the statement of financial position as of December 31, 2015, and the related statements of activities 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 the 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 the 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 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 statement. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatements of the financial statement, 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 statement 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 statement.

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 financial position of Town of Ramapo Local Development Corporation as of December 31,

2015, 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 Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, 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 financial statements and other knowledge we obtained during our audit of the 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 11, 2019 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 in considering the Corporation's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Roth & Company LLP". The signature is written in a cursive, slightly slanted style.

Roth & Company LLP
Brooklyn, New York
March 11, 2019

Ramapo Local Development Corporation

Management's Discussion and Analysis (MD&A)
For The Year Ended December 31, 2015

The following Management's Discussion and Analysis (MD&A) of the Ramapo Local Development Corporation (RLDC) activities and financial performance is provided as an introduction and overview of the financial statements of RLDC for the fiscal year ended December 31, 2015. Following this MD&A are the annual financial statements of RLDC. This MD&A should be read in conjunction with the financial statements, to enhance understanding of the RLDC's performance. This MD&A highlights certain supplementary information to assist with the understanding of the RLDC's financial operations.

INTRODUCTION

As more fully described in Note 8, the RLDC and the Town of Ramapo, New York (the Town) were charged by the Securities and Exchange Commission ("SEC") with fraudulent misrepresentation in their financial statements for the year ended December 31, 2014 and in certain public financial disclosures in prior periods. On November 29, 2017, the Town and the RLDC reached a settlement with the SEC having consented to the appointment of an independent financial consultant and certain other undertakings. The settlement did not require any payment of fines or any other financial assessments. As more fully described in Note 9, the prior period net position of the RLDC has been restated to remove the effect of the previous misrepresentations and accurately state the opening balances as of January 1, 2015.

OPERATIONS

The RLDC was formed pursuant to Section 1411 of the Not-For-Profit Corporation Law of the State of New York and serves as a component unit of the Town.

The RLDC was created to promote growth and development within the Town.

FINANCIAL OPERATIONS HIGHLIGHTS

A condensed summary of revenues, expenses, and changes in net position for the years ended December 31, 2015 and 2014 as restated, is summarized below. Refer to the RLDC's basic financial statements for the complete 2015 Statement of Activities.

	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014 as restated</u>	<u>Change</u>
Total Revenues	\$ 4,755,671	\$ 4,315,672	\$ 439,999
Total Expense	<u>(4,297,117)</u>	<u>(3,411,462)</u>	<u>(885,655)</u>
Change in Net Position	<u>\$ 458,554</u>	<u>\$ 904,210</u>	<u>\$ (445,654)</u>

Overview of the Financial Statements

The financial statements of the RLDC have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The objective of these standards is to enhance the understandability and usefulness of the external financial reports issued by public authorities.

The financial statements presentation consists of a *Statement of Financial Position*, a *Statement of Activities*, a *Statement of Cash Flows* and accompanying *Notes to Financial Statements*. These statements provide information on the financial position of the RLDC and the financial activity and results of its operations during the year.

A description of these statements follows:

The *Statement of Financial Position* presents information on all of the RLDC's assets, deferred outflows of resources, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the RLDC is improving or deteriorating.

The *Statement of Activities* presents information showing the change in the RLDC's net position during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement include items that will result in cash received or disbursed in future fiscal periods.

The *Statement of Cash Flows* provides information on the major sources and uses of cash during the year. The cash flow statement portrays net cash provided or used from operating, investing, capital and non-capital financing activities.

Statement of Financial Position

The statement of financial position presents the financial position of the RLDC at the end of its fiscal year. A more detailed Statement of Financial Position appears in the RLDC's basic financial statements.

	December 31, <u>2015</u>	December 31, <u>2014 as restated</u>	<u>Change</u>
Current Assets	\$ 1,522,603	\$ 392,846	\$ 1,129,757
Non-Current Assets	<u>40,525,204</u>	<u>47,603,911</u>	<u>(7,078,707)</u>
Total Assets	<u>42,047,807</u>	<u>47,996,757</u>	<u>(5,948,950)</u>
Deferred Outflows of Resources	<u>719,815</u>	<u>747,477</u>	<u>(27,662)</u>
Current Liabilities	874,965	6,684,140	5,809,175
Non-Current Liabilities	<u>25,730,776</u>	<u>26,356,767</u>	<u>625,991</u>
Total Liabilities	<u>26,605,741</u>	<u>33,040,907</u>	<u>6,435,166</u>
Net Position	<u>\$ 16,161,881</u>	<u>\$ 15,703,327</u>	<u>\$ 458,554</u>

Assets and Deferred Outflows of Resources

Current assets as of December 31, 2015 are primarily composed of cash and cash equivalents and accounts receivable totaling \$1,522,603. The remaining \$40,525,204 in assets consists primarily of capital assets net of accumulated depreciation. Deferred outflows of resources consists of a loss on refunding of the RLDC's bonds, net of accumulated amortization.

Liabilities

Current liabilities consist mainly of accounts payable, accrued expenses, current bonds payable, and accrued interest payable, totaling \$874,965. Non-current liabilities consist of bonds payable net of amounts currently due, in the amount of \$25,730,776.

RAMAPO COMMONS

The RLDC completed the housing project known as Ramapo Commons, which is located on an 8-acre site on Elm Street in the Town of Ramapo. The project was constructed in three phases during the period from 2009 through 2015. All remaining units of the housing project were sold by year end December 31, 2015. The sale of these units resulted in a gross profit as follows:

	<u>Units</u>	<u>Sales</u>	<u>Cost of Sales</u>	<u>Gross Profit</u>
2009-2014	104	\$ 36,685,949	\$ 29,310,242	\$ 7,375,707
2015	<u>28</u>	<u>11,003,593</u>	<u>8,294,846</u>	<u>2,708,747</u>
Total	<u>132</u>	<u>\$ 47,689,542</u>	<u>\$ 37,605,088</u>	<u>\$ 10,084,454</u>

CONTACTING THE RLDC'S FINANCIAL MANAGEMENT

This report is intended to provide a broad overview of the RLDC's finances to its citizens and other stakeholders. If you desire additional information or have suggestions for improving this report, please contact:

Michael B. Specht, President
Ramapo Local Development Corporation
237 Route 59, Suffern NY 10901

Town of Ramapo Local Development Corporation
(A Component Unit of the Town of Ramapo, New York)
Statement of Financial Position
December 31, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,011,019	
Accounts receivable	511,584	
TOTAL CURRENT ASSETS		\$ 1,522,603

NON-CURRENT ASSETS

Land	8,338,047	
Building and improvements	36,729,738	
Total capital assets	45,067,785	
Accumulated depreciation	(4,542,581)	
TOTAL NON-CURRENT ASSETS		40,525,204

TOTAL ASSETS		\$ 42,047,807
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DEFERRED OUTFLOWS OF RESOURCES

Deferred amounts on refunding bonds		\$ 719,815
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LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 6,821	
Accrued expenses	5,634	
Accrued interest payable	322,510	
Bonds payable, current portion	540,000	
TOTAL CURRENT LIABILITIES		\$ 874,965

NON-CURRENT LIABILITIES

Bonds payable, net of current portion		25,730,776
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TOTAL LIABILITIES		\$ 26,605,741
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NET POSITION

Net investment in capital assets	\$ 14,974,243	
Unrestricted	1,187,638	
TOTAL NET POSITION		\$ 16,161,881

Town of Ramapo Local Development Corporation
(A Component Unit of the Town of Ramapo, New York)
Statement of Activities
For The Year Ended December 31, 2015

OPERATING REVENUES

Sale of real estate, net of cost of sales of \$8,294,846	\$ 2,708,747
Contributions from Town of Ramapo	979,908
Lease revenues - Rockland Boulders	511,584
Concerts and events	448,905
Other rentals	106,527

TOTAL OPERATING REVENUE	\$ 4,755,671
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OPERATING EXPENSES

General and administrative	21,196
Salaries, payroll taxes and benefits	446,116
Concerts and events	658,661
Professional fees	85,473
Utilities	342,105
Repairs and Maintenance	378,485
Real estate taxes	116,933
Depreciation	1,186,808

TOTAL OPERATING EXPENSES	3,235,777
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INCOME FROM OPERATIONS	1,519,894
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NON-OPERATING EXPENSES (REVENUES)

Interest expense	1,065,701
Interest income	(4,361)

TOTAL NON-OPERATING EXPENSES (REVENUES)	1,061,340
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CHANGE IN NET POSITION	458,554
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NET POSITION - BEGINNING	18,459,622
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Prior period adjustment	(2,756,295)
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NET POSITION - BEGINNING, AS RESTATED	15,703,327
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NET POSITION - ENDING	\$ 16,161,881
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Town of Ramapo Local Development Corporation
(A Component Unit of the Town of Ramapo, New York)
Statement of Cash Flows
For The Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Cash receipts from stadium operations	\$ 883,654	
Cash receipts from real estate sales	10,990,593	
Cash paid for real estate held for sale	(2,384,313)	
Cash paid to employees	(181,158)	
Cash paid for other expenses	(881,082)	
NET CASH PROVIDED BY OPERATING ACTIVITIES	8,427,694	\$ 8,427,694

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	4,361	
NET CASH PROVIDED BY INVESTING ACTIVITIES	4,361	4,361

CASH FLOWS FROM FINANCING ACTIVITIES

Payment of short term loan	(150,000)	
Principal paid on bonds	(530,000)	
Net payments on line of credit	(3,178,873)	
Payments of amounts due to Town of Ramapo	(2,500,000)	
Cash paid for interest on bonds	(1,126,787)	
NET CASH USED IN FINANCING ACTIVITIES	(7,485,660)	(7,485,660)

NET INCREASE IN CASH 946,395

CASH AT BEGINNING OF YEAR 64,624

CASH AT END OF YEAR \$ 1,011,019

RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Income from operations		\$ 1,519,894
Adjustments to reconcile changes in net position to net cash provided by operating activities		
Depreciation	\$ 1,186,808	
Cost of real estate sold	5,891,899	
Changes in operating assets and liabilities		
Accounts receivable	(183,362)	
Accounts payable	6,821	
Accrued expenses	5,634	
Total adjustments	6,907,800	
NET CASH PROVIDED BY OPERATING ACTIVITIES		\$ 8,427,694

Town of Ramapo Local Development Corporation
(A Component Unit of the Town of Ramapo, New York)
Notes to the Financial Statements
December 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The Ramapo Local Development Corporation ("Corporation") was formed in 2008 by the New York State Legislature under the provisions of Section 1411 of the Not-for-Profit Corporation Law for the purpose of fostering the creation, retention and expansion of jobs and economic opportunities in the Town of Ramapo, New York ("Town"). The Corporation is exempt from Federal, State and local income taxes. The Corporation, although established by the Town, is a separate entity and operates independently of the Town. The governing board consists of three members appointed by the Town's Board. Presently, the Town guarantees and is liable for corporation's debt.

Financial Reporting Entity

The Corporation has been identified as a component unit of the Town. The Corporation's financial statements are discretely presented in the Town's financial statements.

Basis of Accounting

The accounting policies of the corporation conform to generally accepted accounting principles as applicable to governmental units. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Corporation reports its operations on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Cash and Cash Equivalents

Cash and cash equivalents consist of funds deposited in demand deposit accounts. The Corporation considers financial securities with a maturity date of three months or less from the date of acquisition to be cash equivalents

Revenue Recognition

The Corporation recognizes revenue from the sale of real estate, as well as concerts and events when it is earned. Contribution revenue is recognized at the time the related expenses are incurred and paid. Lease revenues from the Rockland Boulders and other rentals are recognized in the period it is earned, see note 6.

Town of Ramapo Local Development Corporation
(A Component Unit of the Town of Ramapo, New York)
Notes to the Financial Statements
December 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

Accounts receivable are recorded at the amount the Corporation expects to collect upon for services performed.

Capital Assets

Capital assets include land, buildings and improvements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives is not capitalized.

Land is not depreciated. Buildings and improvements of the Corporation are depreciated using the straight line method over their useful lives.

Deferred Outflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. There are no deferred inflows of resources as of December 31, 2015.

The Corporation reported deferred outflows of resources of \$719,815 net of amortization of \$27,662 in the current year, for a deferred loss on refunding bonds. These amounts resulted from the difference in the carrying value of the refunded debt and its reacquisition price. These amounts are deferred and amortized over 29 years, the life of the refunded debt.

Town of Ramapo Local Development Corporation
(A Component Unit of the Town of Ramapo, New York)
Notes to the Financial Statements
December 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use. Net position on the statement of net position includes unrestricted net investment in capital assets.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTE 2 CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Corporation's deposits might not be recovered

As of December 31, 2015 the Corporation's bank balances were exposed to custodial credit risk as follows

	<u>Ramapo Local</u> <u>Development Corporation</u>
Insured by FDIC	\$ 251,403
Uninsured and uncollateralized	<u> 760,119</u>
Total	<u>\$ 1,011,522</u>

NOTE 3 ACCOUNTS RECEIVABLE

The Corporation considers the full amount of receivables to be collectible and has not established an allowance for uncollectibility.

Town of Ramapo Local Development Corporation
(A Component Unit of the Town of Ramapo, New York)
Notes to the Financial Statements
December 31, 2015

NOTE 4 DETAILED NOTES ON ASSETS, LIABILITIES AND NET POSITION

Capital Assets

	(Restated) Balance December 31, 2014	Additions/ Sales/ <u>Depreciation</u>	Balance December 31, 2015
Capital Assets, not being depreciated	\$ 14,229,946	\$(5,891,899)	\$ 8,338,047
Capital Assets being depreciated.			
Buildings and Improvements	\$ 36,729,738	\$ —	\$ 36,729,738
Less accumulated depreciation for Buildings and Improvements	<u>(3,355,773)</u>	<u>(1,186,808)</u>	<u>(4,542,581)</u>
Total Capital Assets being depreciated	\$ 33,373,965	\$ (1,186,808)	\$ 32,187,157
Capital Assets, net	\$ 47,603,911	\$ (7,078,707)	\$ 40,525,204

Long-Term Liabilities

The following table summarizes changes in the Corporation's long-term indebtedness for the year ending December 31, 2015:

	Balance January 1, 2015	New Issues/ Additions	Maturities and/or Payments	Balance December 31, 2015	Due Within One Year
Bonds payable -					
Baseball Stadium Project	\$ 24,565,000	\$ -	\$ 530,000	\$ 24,035,000	\$ 540,000
Plus – Issuance Premium	<u>2,321,767</u>	-	85,991	<u>2,235,776</u>	-
Total Long-Term Liabilities	<u>\$ 26,886,767</u>	<u>\$ -</u>	<u>\$ 615,991</u>	<u>\$ 26,270,776</u>	<u>\$ 540,000</u>

Town of Ramapo Local Development Corporation
(A Component Unit of the Town of Ramapo, New York)
Notes to the Financial Statements
December 31, 2015

NOTE 4 DETAILED NOTES ON ASSETS, LIABILITIES AND NET POSITION
(continued)

The annual requirements to amortize the bonded debt outstanding at December 31, 2015, including interest of \$18,184,725 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 540,000	\$ 1,094,650	\$ 1,634,650
2017	555,000	1,081,225	1,636,225
2018	575,000	1,064,275	1,639,275
2019	590,000	1,046,800	1,636,800
2020	605,000	1,028,875	1,633,875
2021-2025	3,340,000	4,827,650	8,167,650
2026-2030	4,165,000	3,957,125	8,122,125
2031-2035	5,315,000	2,778,125	8,093,125
2036-2040	6,785,000	1,271,875	8,056,875
2041	<u>1,565,000</u>	<u>34,125</u>	<u>1,599,125</u>
	24,035,000	\$ <u>18,184,725</u>	\$ <u>42,219,725</u>
Plus Unamortized original			
Issue Premium:	<u>2,235,776</u>		
	<u>\$ 26,270,776</u>		

The Town has guaranteed payment of bond principal and interest.

NOTE 5 RISK MANAGEMENT

The Corporation purchases various conventional insurance policies to reduce its exposure to loss. The Corporation maintains general liability, excess liability and commercial umbrella policies which provide coverage up to \$20 million. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years

Town of Ramapo Local Development Corporation
(A Component Unit of the Town of Ramapo, New York)
Notes to the Financial Statements
December 31, 2015

NOTE 6 CONTRIBUTION REVENUE

The Corporation entered into an operating agreement during March 2013 in which the Town agreed to pay for the cost of utilities and certain other operating expenses of the ballpark. Contribution revenue of \$979,908 represents operating expenses paid by the Town on behalf of the Corporation, as follows:

<u>Operating Expense</u>	<u>Amount</u>
Employee salaries & benefits	\$ 264,958
Utilities	332,609
Repairs & maintenance	378,485
General and administrative	401
Professional fees	<u>3,455</u>
Total operating expenses	<u>\$ 979,908</u>

NOTE 7 SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The Corporation entered into a 20 year lease commencing in June 2011 with the Rockland Boulders, a professional baseball team which is a member of the Canadian American League. Pursuant to the lease, the team maintains their administrative offices in the stadium building for the entire year. In addition, the team has exclusive rights to the field and stadium facilities for 65 days a year to accommodate their home game season schedule and pre-season events. The base rent is \$175,000 per year plus additional rent, subject to deductions for certain direct expenses, calculated as follows:

- \$1 for every fixed seat ticket sold per professional baseball game up to and including the first 150,000 tickets sold (excluding suite seats sold which are paid on a gross basis without deduction for the Corporation's expenses).
- \$2 for every fixed seat ticket sold per professional baseball game above the first 150,000 tickets sold.
- \$2 for each car paid and parked for a professional baseball game, as long as the Corporation provides at a minimum 1,200 parking spaces for each event.
- 20% of the Corporation's share of proceeds from sales of merchandise sold at the ballpark on the days professional baseball games are played.
- 10% of the Corporation's share of proceeds from sales of all food and beverages items sold
- 50% of net revenue from all broadcast advertising.

Town of Ramapo Local Development Corporation
(A Component Unit of the Town of Ramapo, New York)
Notes to the Financial Statements
December 31, 2015

NOTE 7 SIGNIFICANT COMMITMENTS AND CONTINGENCIES (continued)

- 50% of any ballpark naming rights
- 50% of revenue from the licensing of or other grant of use rights to the ballpark suites.

The lease provides that within sixty days prior to the eleventh anniversary date of the opening date, the parties to this agreement have agreed to meet in good faith to discuss equitable adjustments to the rental amounts paid per the original agreement.

NOTE 8 OTHER MATTERS

On April 14, 2016, the Securities and Exchange Commission (“SEC”) filed a complaint and jury demand against the Town of Ramapo (“Town”), the Ramapo Local Development Corporation (“Corporation”), the former Town Supervisor and President of the Corporation, the former Executive Director of the Corporation, the Town Attorney and the former Deputy Finance Director in connection with fraudulent misrepresentations and omissions about the financial condition of the Town and the Corporation in connection with security offerings made by the Town and the Corporation between September 2010 and September 2015. According to the claim the Defendants attempted to mask the deterioration and inflate the Town’s general fund in order to facilitate bond offerings.

In a parallel action on the same date, the U.S. Attorney’s Office for the Southern District of New York announced an indictment charging the former Town Supervisor and President of the Corporation, and the former Executive Director of the Corporation with 22 counts of conspiracy, securities fraud and wire fraud. According to the Indictment, the defendants lied about the Town’s and Corporation’s financial conditions in order to ensure successful sales of municipal bonds issued by the Town and the Corporation and to get better ratings on those bonds so that the Town and the Corporation would have to pay less interest on the bonds.

On March 7, 2017, the former Executive Director of the Corporation pled guilty to securities fraud and conspiracy and was sentenced on January 2, 2018 to probation and a fine of \$20,000.

Town of Ramapo Local Development Corporation
(A Component Unit of the Town of Ramapo, New York)
Notes to the Financial Statements
December 31, 2015

NOTE 8 OTHER MATTERS (continued)

On November 29, 2017, the Town and the Corporation entered into a final judgment with the SEC which permanently enjoins the Town and Corporation from violating Section 17(a) of the Securities Act of 1933, and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and, additionally, imposes undertakings on the Town and Corporation: (a) requiring the Town and Corporation to retain an independent consultant (IC) with municipal finance experience appointed by the Court to review and recommend improvements to the Town's and Corporation's financial reporting procedures and controls, as well as the Town's and Corporation's municipal securities offerings disclosure policies and procedures, to require the Town and Corporation to adopt any such recommendations, and for the IC to review and assess the sufficiency of the Town's and Corporation's implementation of the IC's recommendations for two full fiscal years thereafter; (b) requiring the Town and Corporation, for fiscal years 2017, 2018, and 2019, to retain an Independent Auditing Firm, not unacceptable to the SEC staff, to conduct audits of the Town's and the Corporation's annual financial statements for those fiscal years; and (c) requiring that, for a period of three years from the date of the entry of the Judgment, the Town and Corporation may not participate in the offer and sale of any municipal securities for which the Town and Corporation are issuers or obligated persons unless the Town and Corporation have, prior to each such offering retained an Independent Disclosure Counsel (IDC) not unacceptable to the SEC staff and which are also unaffiliated with the bond counsel retained for such offering. The IDC shall participate in the preparation of the disclosure document for the offering, assist the Town and Corporation in performing a reasonable investigation concerning the accuracy and completeness of that disclosure document, and render an opinion to the effect that, during its work, nothing came to its attention that would cause it to believe that the disclosure document contains, as of the date of the opinion, any untrue statement of a material fact or omits to state any material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, including the disclosure therein of the terms of the judgment in this case. The Town has been complying with all aspects of the judgment through the date of these financials.

On December 13, 2017, the former Town Supervisor and President of the Corporation was found guilty by federal jury of 20 counts of conspiracy, securities fraud and wire fraud and was sentenced to 30 months in prison and fined \$75,000.

Town of Ramapo Local Development Corporation
(A Component Unit of the Town of Ramapo, New York)
Notes to the Financial Statements
December 31, 2015

NOTE 8 OTHER MATTERS (continued)

On June 6, 2018, the SEC obtained final judgements against the former Executive Director of the Corporation, the Town Attorney and the former Deputy Finance Director. The judgement permanently enjoins the former Executive Director of the Corporation, the Town Attorney and the former Deputy Finance Director from violating Section 17(a) of the Securities Act of 1933, and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The final judgments also order the former Deputy Finance Director to pay \$10,000 in civil penalties and the Town Attorney to pay \$25,000 in civil penalties and require the Deputy Finance Director and Town Attorney to resign from their employment with Ramapo, N.Y. and prohibit them, for five and seven years, respectively, from being employed by Ramapo. The Deputy Finance Director and Town Attorney consented to their respective final judgments without admitting or denying the allegations in the SEC's complaint. The former Executive Director of the Corporation previously pled guilty to criminal charges in the parallel criminal case brought by the U.S. Attorney's Office for the Southern District of New York. The SEC also obtained lifetime bars prohibiting them from participating in municipal bonds offerings.

On November 15, 2018, a federal court prohibited the former Town Supervisor and President of the Corporation from participating in offerings of municipal securities and ordered him to pay \$327,000 in civil penalties in a fraud action brought by the Securities and Exchange Commission.

All litigation related to the above had ended and the financial statements have been restated for certain items related to the above, see Note 9 for the details of the restatement.

The financial statements have been restated for certain items related to the complaint, see Note 9 for the details of the restatement.

NOTE 9 RESTATEMENT OF PRIOR PERIOD

The Corporation's financial statements as of December 31, 2014, contained errors which are described below. Adjustments were required which affected financial statement beginning balances for 2015: (1) understatement of cash & equivalents by \$100, (2) overstatement of building and improvements by \$1,473,419, (3) overstatement of real estate held for sale by \$1,426,291,

Town of Ramapo Local Development Corporation
(A Component Unit of the Town of Ramapo, New York)
Notes to the Financial Statements
December 31, 2015

NOTE 9 RESTATEMENT OF PRIOR PERIOD (continued)

(4) overstatement of accounts payable by \$293,315 including reclassification of a \$150,000 note payable. As a result of the errors, the Corporation’s opening net position for 2015 was overstated by \$2,756,295.

The effect on the financial statements as reported for December 31, 2014 is as follows:

<u>Financial Statement captions</u>	<u>Balance Dec. 31, 2014 As Previously Reported</u>	<u>Correction</u>	<u>Balance Dec. 31, 2014 As Restated</u>
Cash & Cash Equivalents (1)	\$ 64,524	100	\$ 64,624
Building and improvements(2)	38,203,157	(1,473,419)	36,729,738
Real Estate Held for Sale (3)	7,318,190	(1,426,291)	5,891,899
Accounts Payable (4)	293,315	(293,315)	-
Notes Payable Due Within One Year (4)	-	150,000	150,000

(1) Represents corrections of 2014 bank balances understatement.

(2) Total adjustment of \$1,473,419 consists of a correction to capital expenditures for \$485,210 due to an overstatement; as well as a correction of \$988,209 due to maintenance and repairs reimbursements, erroneously capitalized as building for the ballpark.

(3) In September of 2008, the Town purchased 8.14 acres of property zoned for residential development for a cost of \$7,076,158. In 2009, the Town transferred all 8.14 acres to the Corporation in connection with the Corporation’s proposal to build low cost housing on the property (the “Elm Street Property”).

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NOTE 9 RESTATEMENT OF PRIOR PERIOD (continued)

At the time of the transfer, the Corporation agreed to pay the Town an amount of cash to be mutually agreed upon by the Town and the Corporation plus the return to the Town of a sub-division of the property of approximately 3.8 acres, for the purpose of constructing a public road and a public park and playground, both adjacent to the low cost housing development. The initial transfer from the Town to the Corporation was recorded at \$7,076,158, the original cost of the property. Once the low cost housing development was completed, the Corporation paid cash of \$3,080,000 to the Town as mutually agreed by both parties at that time. The value of the sub-divided parcels of land that were returned to the Town were valued at \$3,996,158, the original cost less the cash payment of \$3,080,000. The return of the 3.8 acres of land to the Town took place on 4/22/2014 but erroneously was not recorded in the books of the Corporation or of the Town as of that date. To correct this, the transfer has been reflected in the financial statements as a prior period adjustment.

In addition, an adjustment of \$5,440,247 was required to properly restate the cost of real estate held for sale associated with this transaction at December 31, 2014. Additionally, the Town attempted to sell the Corporation a piece of land known as The Hamlets in 2009; this was recorded as \$3,080,000 in real estate held for sale as it was expected to be developed. The transfer was never completed because of an issue with a New York State Environmental Review focusing on timberhead rattle snakes in the area. The Corporation has removed the \$3,080,000 erroneously recorded in 2009 as real estate held for sale.

Additionally, certain reimbursements provided by the Town were erroneously recorded as reimbursements for the building of the Elm Street Property when in reality, they were reimbursements for expenses related to the stadium. In order to correct this error, the Corporation recorded additional costs of \$988,209 on the Elm Street Property, as well as additional cost of real estate units in the amount of \$778,589 as of December 31, 2014. These adjustments to the Elm Street Property construction costs total \$5,649,867.

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NOTE 9 RESTATEMENT OF PRIOR PERIOD

The net adjustment for real estate held for sale is \$1,426,291, as summarized in the following table:

<u>Adjustment Description</u>	<u>Amount</u>
Elm Street Property parcel returned	\$ (3,996,158)
Elm Street Property correction of opening construction costs	5,649,867
The Hamlets Land not transferred	<u>(3,080,000)</u>
Total Adjustment	<u>\$ (1,426,291)</u>

(4) Represents reclassification of the \$150,000 notes payable amount from accounts payable. The remaining accounts payable amount of \$143,315 was written off, due to overstatement.

NOTE 10 SUBSEQUENT EVENTS EVALUATION

The Corporation has evaluated subsequent events through March 11, 2019, the date on which these financial statements were available to be issued

In 2016 the Town transferred 25 acres of land to the Corporation. The land is located at 301 Pomona Road in the Village of New Hempstead, which the Town purchased from a private party for \$2 million, net of a gift of \$1.7 million.

The transfer was in exchange for the Corporation's agreement to develop "the land in substantial conformity with the purpose of the Corporation".

In 2017 the Corporation sold the property to Parkway Gateway LLC (a local developer) who has represented that it intends to build a mixed-use development - hotel, retail and residential. The price is stated at \$5.8 million subject to an adjustment based on the area of land approved for development.

The buyer will pay the full amount if they get building approval for 485,300 square feet; if the approval is less the price will be decreased pro-rata. In addition, the buyer has agreed to grant a profit participation to the Corporation of 10% of profits on the sale of the property after return of capital, expenses of the development and a 6% return on the equity of the buyer.

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NOTE 10 SUBSEQUENT EVENTS EVALUATION (continued)

If the property is not sold by the 10th Anniversary of the agreement, the Corporation and Parkway Gateway LLC both have an option to monetize the profit participation based on an appraisal of the property at that time.

In 2017, the buyer made an initial payment of \$1.1 million to the Corporation at closing of the sale. The buyer has not yet submitted development plans to the village for approval.



**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***

The Board of Directors of the
Town of Ramapo Local Development Corporation
(a component unit of the Town of Ramapo, New York)

Report on the Financial Statements

We have audited, in accordance with the 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, the accompanying financial statements of the Town of Ramapo Local Development Corporation (a component unit of the Town of Ramapo, New York) as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated March 11, 2019.

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 opinions 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 was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did identify certain deficiencies in internal control, as described below, that we consider to be a material weakness.

Material Weakness

Criteria

The corporation is required under public authority's law to design and maintain effective internal controls over financial reporting.

Condition

Management was not able to demonstrate any internal control existed for the period audited. As a result of poor record keeping in prior year, management was not able to provide documentation of certain elements of cost of goods sold

Cause

Lack of segregation of duties between those charged with governance and finance personnel, and ineffective oversight by those charged with governance.

Effect or potential effect

The December 31, 2014 financial statement contained material errors resulting in a restatement of the January 1, 2015 net position. Additionally, the December 31, 2015 financial statements are significantly delayed

Recommendation

We recommend that management develop and refine their financial management systems and establish internal control processes to improve their oversight of financial management activity.

Views of Responsible Party

We accept your comments related to the years ended December 31, 2015 and 2014.

Effective in May 2017, the Board of Directors and the management of the RLDC was completely changed as directed by the Town of Ramapo Town Board.

Subsequent to that date we have designed and implemented effective controls over financial reporting and established internal control processes to improve oversight of financial management activity.

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.

Corporation's Response to Finding

The Corporation's response to the findings identified in our audit is described previously. The corporation's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Respectfully submitted,

Roth & Company LLP

Roth & Company LLP
Brooklyn, New York
March 11, 2019