

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

Financial Report

December 31, 2016 and 2015

Ramapo Local Development Corporation

(A Component Unit of the Town of Ramapo, New York)

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Independent Auditor's Report

President and Corporation Board
Ramapo Local Development Corporation
Suffern, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Ramapo Local Development Corporation (Corporation), a component unit of the Town of Ramapo, New York, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Investigations

As discussed in Note 6 to the financial statements, the Corporation was subject to investigations regarding past improper financial reporting practices. Our opinion is not modified with respect to this matter.

Economic Dependency

As discussed in note 1c , the Corporation is economically dependent upon the Town to fund its operations. The Town has also guaranteed repayment of the Corporation's revenue bonds. Our opinion is not modified with respect to this matter.

Other Matters

Prior Year Financial Statements

The financial statements of the Corporation, as of and for the year ended December 31, 2015, were audited by other auditors, whose report, dated March 11, 2019, expressed an unmodified opinion on those financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 to 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 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 solely 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 effectiveness of the Corporation's 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.

BST & CO. CPAs, LLP

Albany, New York
July 12, 2019



Ramapo Local Development Corporation

(A Component Unit of the Town of Ramapo, New York)

Management's Discussion and Analysis December 31, 2016 and 2015

The following Management's Discussion and Analysis (MD&A) provides an introduction and overview of the financial activities and performance of the Ramapo Local Development Corporation (Corporation) for the years ended December 31, 2016 and 2015. The MD&A is designed to assist the reader in focusing on significant matters. The following presentation is by necessity highly summarized, and in order to gain a thorough understanding of the Corporation's financial condition, the financial statements, notes and supplementary information described in the Overview of Financial Statements section below should be reviewed in their entirety.

Overview of Financial Statements

The Corporation's financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB). The Corporation is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and depreciated over their useful lives. See notes to the financial statements for a summary of the Corporation's significant accounting policies.

The Statements of Net Position present information on the Corporation's assets, deferred outflows of resources, and liabilities, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Corporation's financial position. The Statements of Revenues, Expenses, and Changes in Net Position present information showing how the Corporation's net position changed during the most recent years. 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 these statements for some items will result in cash flows in future periods. The Statements of Cash Flows relate to the flows of cash. Consequently, only transactions that affect the Corporation's cash accounts are recorded in these statements. A reconciliation is provided at the bottom of the statement of cash flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

Operations

The Corporation 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 of Ramapo, New York (Town). The Corporation's mission and objectives include lessening the burdens of government by undertaking and promoting urban redevelopment initiatives in the Town that will include real estate acquisition, development and management, real estate project finance, and other community-based economic development activities permissible under the Not-For-Profit Corporation Law. The Corporation's mission also includes providing assistance to the Town in the development of affordable housing; foster the creation, retention and expansion of jobs and economic opportunities for the benefit of the local economy; and to promote the smart growth and green development within the Town.

Financial Highlights

- The Town transferred land to the Corporation in November 2016, to be held for sale or redevelopment, at a carrying value of \$2,040,585. The Corporation has recorded this land as property held for sale or development contribution from the Town of Ramapo.
- During 2016 the Corporation's operating activities solely involved the management of the minor-league baseball stadium known as Palisades Credit Union Park (Stadium).
- The Corporation sold property held for sale or redevelopment in 2015, resulting in a gain of approximately \$2.7 million, and net cash flows of \$8.6 million. The proceeds of this sale were used to repay a line-of-credit, amounts due to the Town, and make debt service payments.

Ramapo Local Development Corporation

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Management's Discussion and Analysis December 31, 2016 and 2015

Financial Highlights - Continued

Condensed Statements of Net Position

	2016	2015	2014	Increase (Decrease) 2016-2015	Increase (Decrease) 2015-2014
Current assets	\$ 2,149,459	\$ 1,522,603	\$ 392,846	\$ 626,856	\$ 1,129,757
Non-current assets, net	39,338,396	40,525,204	47,603,911	(1,186,808)	(7,078,707)
Deferred outflows of resources	692,153	719,815	747,477	(27,662)	(27,662)
	<u>42,180,008</u>	<u>42,767,622</u>	<u>48,744,234</u>	<u>(587,614)</u>	<u>(5,976,612)</u>
Current liabilities	1,099,663	874,965	6,684,140	224,698	(5,809,175)
Non-current liabilities	25,089,785	25,730,776	26,356,767	(640,991)	(625,991)
	<u>26,189,448</u>	<u>26,605,741</u>	<u>33,040,907</u>	<u>(416,293)</u>	<u>(6,435,166)</u>
Net position	<u>\$ 15,990,560</u>	<u>\$ 16,161,881</u>	<u>\$ 15,703,327</u>	<u>\$ (171,321)</u>	<u>\$ 458,554</u>

Total assets and deferred outflows of resources exceeded total liabilities by approximately \$16.0 and \$16.2 million as of December 31, 2016 and 2015, respectively. The Corporation's current assets increased by approximately \$627 thousand million from 2015 to 2016, primarily due to the transfer of property held for sale and redevelopment, offset by decreases in cash. Capital assets decreased by approximately \$1.2 million from 2015 to 2016, primarily due depreciation expense and no capital asset additions. In 2015, current assets increased due to incremental cash on hand from the sale of property. Non-current assets decreased by \$7.9 million from 2014 to 2015, due to the sale of property held for sale or redevelopment and depreciation expense.

Current liabilities increased by \$225 thousand from 2015 to 2016, primarily due liquidity issues at the Corporation, resulting in higher payables and amounts due to the Town. Current liabilities decreased by approximately \$5.8 million from 2014 to 2015, due to the repayment of the Corporation's line-of-credit and amounts due to the Town. Decreases in long-term liabilities are attributed to the repayment of bond principal and amortization of premiums on bonds outstanding.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2016	2015	2014*	Increase (Decrease) 2016-2015	Increase (Decrease) 2015-2014
Operating revenues	\$ 735,471	\$ 3,775,763	\$ 4,315,672	\$ (3,040,292)	\$ (539,909)
Non-operating revenues	2,386	4,361	2,418	(1,975)	1,943
Total revenues	<u>737,857</u>	<u>3,780,124</u>	<u>4,318,090</u>	<u>(3,042,267)</u>	<u>(537,966)</u>
Other financing sources	3,149,596	979,908	682,260	2,169,688	297,648
Total inflows	<u>3,887,453</u>	<u>4,760,032</u>	<u>5,000,350</u>	<u>(872,579)</u>	<u>(240,318)</u>
Depreciation expense	1,186,808	1,186,808	993,653	-	193,155
Other operating	1,837,370	2,048,969	1,913,051	(211,599)	135,918
Total operating	<u>3,024,178</u>	<u>3,235,777</u>	<u>2,906,704</u>	<u>(211,599)</u>	<u>329,073</u>
Interest expense	1,034,596	1,065,701	1,187,018	(31,105)	(121,317)
Total expenses	<u>4,058,774</u>	<u>4,301,478</u>	<u>4,093,722</u>	<u>(242,704)</u>	<u>207,756</u>
Change in net position	<u>\$ (171,321)</u>	<u>\$ 458,554</u>	<u>\$ 906,628</u>	<u>\$ (629,875)</u>	<u>\$ (448,074)</u>

*2014 has been updated to include Corporation expenditures of \$682,260 paid by the Town, consistent with 2015 and 2016 reporting.

Ramapo Local Development Corporation

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Management's Discussion and Analysis December 31, 2016 and 2015

Financial Highlights - Continued

The Corporation's operating revenues consist of rental and other charges for use of the Stadium including the Rockland Boulders baseball team, concerts and events, rental income and the ice rink.

In addition, the Corporation will periodically obtain property from the Town for sale or redevelopment. The Corporation's gain on property held for sale will fluctuate from year to year depending upon the size and timing of ongoing projects. Operating revenues decreased from 2015 to 2016 primarily because no property sales occurred in 2016.

The Corporation's other operating expenses have decreased from 2015 to 2016, primarily due to a reduced number of events. Interest expense is based on the Corporation's bond repayment schedule.

The Corporation continues to be economically dependent upon the Town to sustain operations. For the years ended December 31, 2016 and 2015, the Town incurred expenses on behalf of the Corporation in the amounts of \$1,109,011 and \$979,908, respectively. These amounts are reported as operating expenditures and other financing sources in the Corporation's financial statements. Additionally, the Town transferred property to the Corporation during 2016 with a book value of \$2,040,585.

Contacting the Corporation's Financial Management

This financial report is designed to provide a general overview of the Corporation's finances and to demonstrate the Corporation's accountability for the funds it receives. If you have any questions about this report or need additional financial information, please contact:

Michael Specht, President
Ramapo Location Development Corporation
237 Route 59, Suffern NY 10901

Ramapo Local Development Corporation

(A Component Unit of the Town of Ramapo, New York)

Statements of Net Position

	December 31,	
	<u>2016</u>	<u>2015</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash	\$ 2,002	\$ 1,011,019
Accounts receivable	106,872	511,584
Property held for sale or redevelopment	2,040,585	-
	<u>2,149,459</u>	<u>1,522,603</u>
NONCURRENT ASSETS		
Capital assets		
Non-depreciable	8,338,047	8,338,047
Depreciable, net	31,000,349	32,187,157
	<u>39,338,396</u>	<u>40,525,204</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>692,153</u>	<u>719,815</u>
Total assets and deferred outflows of resources	<u>\$ 42,180,008</u>	<u>\$ 42,767,622</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 85,980	\$ 12,455
Due to Town of Ramapo	140,898	-
Interest payable	317,785	322,510
Bonds payable, current	555,000	540,000
	<u>1,099,663</u>	<u>874,965</u>
NON-CURRENT LIABILITIES		
Bonds payable, net of current portion	<u>25,089,785</u>	<u>25,730,776</u>
NET POSITION		
Net investment in capital assets	14,385,764	14,974,243
Unrestricted	1,604,796	1,187,638
	<u>15,990,560</u>	<u>16,161,881</u>
Total liabilities and net position	<u>\$ 42,180,008</u>	<u>\$ 42,767,622</u>

See accompanying Notes to Financial Statements.

Ramapo Local Development Corporation

(A Component Unit of the Town of Ramapo, New York)

Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended December 31,	
	2016	2015
OPERATING REVENUES		
Rockland Boulders rental income	\$ 381,872	\$ 511,584
Concerts and events	163,063	414,405
Other rental income	115,553	106,527
Ice rink	74,983	34,500
Gain on property held for sale	-	2,708,747
	<u>735,471</u>	<u>3,775,763</u>
OPERATING EXPENSES		
General and administrative	24,964	21,196
Salaries and employee benefits	423,428	446,116
Concerts and events	398,577	658,661
Professional fees	111,167	85,473
Utilities	374,780	342,105
Repairs and maintenance	383,953	378,485
Real estate taxes	120,501	116,933
Depreciation	1,186,808	1,186,808
	<u>3,024,178</u>	<u>3,235,777</u>
Operating (loss) income	<u>(2,288,707)</u>	<u>539,986</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	2,386	4,361
Interest expense	(1,034,596)	(1,065,701)
	<u>(1,032,210)</u>	<u>(1,061,340)</u>
OTHER FINANCING SOURCE		
Contribution from the Town of Ramapo	3,149,596	979,908
Change in net position	<u>(171,321)</u>	<u>458,554</u>
NET POSITION, <i>beginning of year</i>	<u>16,161,881</u>	<u>15,703,327</u>
NET POSITION, <i>end of year</i>	<u>\$ 15,990,560</u>	<u>\$ 16,161,881</u>

See accompanying Notes to Financial Statements.

Ramapo Local Development Corporation

(A Component Unit of the Town of Ramapo, New York)

Statements of Cash Flows

	Years Ended December 31,	
	2016	2015
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Receipts from stadium operations	\$ 1,140,183	\$ 883,654
Proceeds from property sale	-	10,990,593
Payments for property held for sale	-	(2,384,314)
Payments for contractual expenses	(1,199,519)	(1,596,031)
Payments for employees and benefits	(423,428)	(446,116)
	(482,764)	7,447,786
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contribution from the Town of Ramapo	1,109,011	979,908
CASH FLOWS USED BY CAPITAL RELATED FINANCING ACTIVITIES		
Repayment of short-term loan	-	(150,000)
Repayment of line-of-credit	-	(3,178,873)
Repayment of amounts due to Town	-	(2,500,000)
Bond repayments	(540,000)	(530,000)
Interest payments	(1,097,650)	(1,126,787)
	(1,637,650)	(7,485,660)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Interest income received	2,386	4,361
Net (decrease) increase in cash	(1,009,017)	946,395
CASH, beginning of year	1,011,019	64,624
CASH, end of year	\$ 2,002	\$ 1,011,019
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (2,288,707)	\$ 539,986
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation expense	1,186,808	1,186,808
Changes in operating assets and liabilities		
Accounts receivable	404,712	(183,362)
Property held for sale or redevelopment	-	5,891,899
Accounts payable and accrued expenses	73,525	12,455
Due to Town of Ramapo	140,898	-
Net cash provided (used) by operating activities	\$ (482,764)	\$ 7,447,786

See accompanying Notes to Financial Statements.

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

Notes to Financial Statements
December 31, 2016 and 2015

Note 1 - Organization and Summary of Significant Accounting Policies

a. Business Organization

The Ramapo Local Development Corporation (Corporation), a component unit of the Town of Ramapo, New York (Town), was formed in 2008 by the New York State Legislature under the provisions of Section 1411 of the Not-for-Profit Corporation Law for purposes of fostering the creation, retention and expansion of jobs and economic opportunities in the Town. Additionally, the Corporation is authorized to construct, acquire, rehabilitate and improve facilities for use by others in the Town. During 2016, the Corporation's Board consisted of three members appointed by the Town Board. In 2017, the Town Board increased the Board of the Corporation to five members at which time the members of the Town Board were appointed to also serve as the directors of the Corporation.

The income of the Corporation is exempt from Federal, State and local income taxes.

b. Basis of Accounting and Financial Statement Presentation

The accounts of the Corporation are maintained in a single proprietary fund on the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. GAAP. With this measurement focus, all assets, deferred outflows of resources, and liabilities associated with operations are included on the statements of net position.

Revenues are recognized when earned, and expenses are recognized when incurred. The Corporation distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses result from rental of the Stadium, and the sale or redevelopment of property. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

c. Economic Dependency

The Corporation's revenues and cash flows from stadium operations are not sufficient to meet its debt service requirements and day-to-day cash needs. The Corporation is dependent upon the Town for short-term liquidity in the form of inter-organization loans. In addition, the Town incurs administrative and operational costs on behalf of the Corporation. A summary of amounts reported as contributions from the Town of Ramapo are as follows:

	2016	2015
Property held for sale or redevelopment	\$ 2,040,585	\$ -
Operating costs	1,109,011	979,908
Total	\$ 3,149,596	\$ 979,908

In September 2017, the Town began making all debt service payments on the Corporation's outstanding bonds, which the Town has guaranteed. The Town's support of the Corporation is critical to its operations and financial condition.

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

Notes to Financial Statements
December 31, 2016 and 2015

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

d. Accounts Receivable

Accounts receivable are stated net of estimated allowances for uncollectible amounts, which are determined based upon past collection experience and current economic conditions. No allowance was considered necessary for the years ended December 31, 2016 and 2015.

e. Property Held for Sale or Redevelopment

The Corporation values property held for sale or redevelopment at the lower of cost or net realizable value. When property is transferred from the Town, cost represents the Town's carrying value at the time of transfer. In March 2016, the Town transferred, without consideration, a parcel of land to the Corporation, located at 301 Pomona Road, at \$2,040,585, the Town's carrying value at the time of transfer.

f. Capital Assets

Capital assets are stated at cost and include all capital assets in excess of \$5,000. Depreciation expense is recorded on the straight-line method over the respective lives of the various assets. The estimated useful lives of the Corporation's capital assets are as follows:

<u>Asset Type</u>	<u>Years</u>
Land improvements	40
Buildings	40
Electronics	15
Fixtures and equipment	10

Management periodically reviews capital assets for impairment to determine whether any events or circumstances indicate the carrying value of the assets may not be recoverable. No impairment was identified in 2016 or 2015.

g. Deferred Outflows of Resources

The Corporation's deferred outflows of resources represent the difference between the reacquisition price and the net carrying amount of the 2011 revenue bonds that were refunded by the 2013 revenue bonds. The deferred outflows are being amortized on a straight-line basis and is reported as a component of interest expense. Amortization of the deferred outflow was \$27,662 for the years ended December 31, 2016 and 2015.

h. Due to the Town of Ramapo

The Town provides liquidity support to the Corporation on a periodic basis. Amounts due to the Town of \$140,898 represent a portion of the Corporation's debt service that was paid by the Town under the guarantee.

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

Notes to Financial Statements
December 31, 2016 and 2015

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

i. Net Position

The following terms are used in reporting net position:

Net Investment in Capital Assets - consists of capital assets, including restricted capital assets, if any, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, and deferred outflows from refundings.

Restricted - is reported as restricted when constraints placed on net position use are either:

- a. Externally imposed by creditors (such as debt covenants), grantors, contributors, laws, or regulations of other governments, or
- b. Imposed by law through constitutional provisions or enabling legislation.

Unrestricted - is the net amount of assets, deferred outflows of resources, and liabilities that is not included in the determination of net investment in capital assets or restricted components of net position described above.

j. Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

k. Subsequent Events

The Corporation has evaluated subsequent events for potential recognition or disclosure through July 12, 2019, the date the financial statements were available to be issued.

In April 2017, the Corporation entered into a transaction for the sale of its property held for sale or redevelopment located at 301 Pomona Road with a developer who intends to build a 485,000 square foot mixed-use development, including a hotel, retail and residential space. At this time, the buyer made a down payment of \$1.1 million. The total potential sales price of approximately \$5.8 million is subject to downward adjustment based on the approved amount of square feet of the development. If the approval is less, the price will decrease proportionally. In addition, the buyer intends to grant to the Corporation participation in 10% of profits on the buyer's resale of the property after return of capital, expenses of the development and a 6% return on the equity of the buyer. If the buyer does not resell the property within 10 years, the Corporation has an option that would monetize their profit share based on a formula. As of the date of the financial statements, no square footage approvals have been obtained, and the profit share agreement is unsigned and in draft form.

Ramapo Local Development Corporation
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Notes to Financial Statements
December 31, 2016 and 2015

Note 2 - Cash and Investments

In accordance with the provisions of the Official Compilation of Codes, Rules and Regulations of the State of New York, Title 2, Chapter V, Part 201.3 (Part 201.3), all Corporation deposits, including certificates of deposit and special time deposits in excess of the amount insured under the provisions of the Federal Deposit Insurance Act, must be collateralized by a pledge of eligible securities, letters of credit, or surety bonds. As of December 31, 2016 and 2015, the FDIC insurance was sufficient to secure the Corporation's deposits.

The Corporation's investment policies are governed by Part 201.3. In addition, the Corporation has its own written investment policy. Corporation monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of New York State or its localities, and Certificates of Participation.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the federal government.

Note 3 - Capital Assets

The following tables summarize changes in the Corporation's capital asset balances:

	December 31,			
	2015	Additions	Disposals	2016
Capital assets being depreciated				
Land improvements	\$ 5,674,882	\$ -	\$ -	\$ 5,674,882
Buildings	26,837,206	-	-	26,837,206
Electronics	1,432,781	-	-	1,432,781
Fixtures and equipment	2,784,869	-	-	2,784,869
Total capital assets being depreciated	36,729,738	-	-	36,729,738
Less accumulated depreciation	(4,542,581)	(1,186,808)	-	(5,729,389)
	<u>32,187,157</u>	<u>(1,186,808)</u>	<u>-</u>	<u>31,000,349</u>
Capital assets not being depreciated				
Land and improvements	8,338,047	-	-	8,338,047
Capital assets, net	<u>\$ 40,525,204</u>	<u>\$ (1,186,808)</u>	<u>\$ -</u>	<u>\$ 39,338,396</u>

	December 31,			
	2014	Additions	Disposals	2015
Capital assets being depreciated				
Land improvements	\$ 5,674,882	\$ -	\$ -	\$ 5,674,882
Buildings	26,837,206	-	-	26,837,206
Electronics	1,432,781	-	-	1,432,781
Fixtures and equipment	2,784,869	-	-	2,784,869
Total capital assets being depreciated	36,729,738	-	-	36,729,738
Less accumulated depreciation	(3,331,068)	(1,211,513)	-	(4,542,581)
	<u>33,398,670</u>	<u>(1,211,513)</u>	<u>-</u>	<u>32,187,157</u>
Capital assets not being depreciated				
Land and improvements	8,338,047	-	-	8,338,047
Capital assets, net	<u>\$ 41,736,717</u>	<u>\$ (1,211,513)</u>	<u>\$ -</u>	<u>\$ 40,525,204</u>

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

Notes to Financial Statements
December 31, 2016 and 2015

Note 4 - Bonds Payable

The following tables summarize the changes in bonds payable:

	January 1, 2016	Issuances/ Additions	Repayments/ Reductions	December 31, 2016	Amounts Due Within One Year
Bond principal	\$ 24,035,000	\$ -	\$ 540,000	\$ 23,495,000	\$ 555,000
Bond premium	2,235,776	-	85,991	2,149,785	-
	<u>\$ 26,270,776</u>	<u>\$ -</u>	<u>\$ 625,991</u>	<u>\$ 25,644,785</u>	<u>\$ 555,000</u>
	January 1, 2015	Issuances/ Additions	Repayments/ Reductions	December 31, 2015	Amounts Due Within One Year
Bond principal	\$ 24,565,000	\$ -	\$ 530,000	\$ 24,035,000	\$ 540,000
Bond premium	2,321,767	-	85,991	2,235,776	-
	<u>\$ 26,886,767</u>	<u>\$ -</u>	<u>\$ 615,991</u>	<u>\$ 26,270,776</u>	<u>\$ 540,000</u>

Bonds payable at December 31, 2016 are comprised of the following:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rate	Amounts Outstanding December 31, 2016
Baseball Stadium	2013	\$ 25,000,000	March 2041	2% - 5%	\$ 23,495,000

Aggregate minimum maturities of debt service are as follows:

Principal	Interest	Total
\$ 555,000	\$ 1,089,550	\$ 1,644,550
575,000	1,072,900	1,647,900
590,000	1,055,650	1,645,650
605,000	1,037,950	1,642,950
625,000	1,019,800	1,644,800
3,470,000	4,763,500	8,233,500
4,370,000	3,852,980	8,222,980
5,585,000	2,645,250	8,230,250
7,120,000	1,102,250	8,222,250
<u>\$ 23,495,000</u>	<u>\$ 17,639,830</u>	<u>\$ 41,134,830</u>

In accordance with the underlying bond offering document, the Corporation's bonds are guaranteed by the Town.

Ramapo Local Development Corporation

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Notes to Financial Statements December 31, 2016 and 2015

Note 5 - Commitments

The Corporation entered into a 20-year lease commencing 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 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 beverage items sold.
- 50% of net revenue from all broadcast advertising.
- 50% of any ballpark naming rights.
- 50% of revenue from licensing of or other grant of use rights to ballpark suites.

The lease provides that within sixty (60) days prior to the eleventh (11th) 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 per the original agreement.

Note 6 - Other Matters

On April 14, 2016, the Securities and Exchange Commission ("SEC") filed a complaint and jury demand against the Town, the Corporation, the former Town Supervisor who also served as the 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 be required to pay less interest on the bonds.

Ramapo Local Development Corporation

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Notes to Financial Statements

December 31, 2016 and 2015

Note 6 - Other Matters - Continued

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.

On May 19, 2017, the former Town Supervisor who also served as the President of the Corporation was found guilty by a federal jury of 20 counts of conspiracy, securities fraud and wire fraud and was thus dismissed from his positions.

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 as follows:

- 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 the 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 and the Corporation has been complying with all aspects of the Judgment through the date of these financial statements.

On June 6, 2018, the SEC obtained final judgments against the former Executive Director of the Corporation, the Town Attorney and the former Deputy Finance Director. The judgment 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, New York 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.

Ramapo Local Development Corporation

(A Component Unit of the Town of Ramapo, New York)

Notes to Financial Statements December 31, 2016 and 2015

Note 6 - Other Matters - Continued

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 bond offerings.

On November 15, 2018, a federal court prohibited the former Town Supervisor who also served as the 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.

On December 13, 2017, the former Town Supervisor who also served as the President of the Corporation was sentenced to 30 months in prison and fined \$75,000.

All litigation related to the above is considered settled.

Note 7 - Accounting Pronouncements Issued But Not Yet Implemented

GASB Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). GASB 83 establishes criteria for determining the timing and pattern of recognition for a liability and corresponding deferred outflow of resources for asset retirement obligations. This statement required that recognition occur when the liability is both incurred and reasonably estimable. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 85, *Omnibus 2017* (GASB 85). GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 86, *Certain Debt Extinguishment Issues* (GASB 86). GASB 86 addresses accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also addresses accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and the recognition of inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

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

Notes to Financial Statements
December 31, 2016 and 2015

Note 7 - Accounting Pronouncements Issued But Not Yet Implemented - Continued

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant acceleration clauses. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 90, *Majority Equity Interests*. This statement will provide financial reporting users with information related to the presentation of majority equity interests in legally separate organizations. In addition, this statement required the reporting of information about component units if the government acquires 100% equity interest about the cost of services to be provided by the component unit in relation to the consideration provided to acquire the component unit. The requirements for this statement are effective for reporting periods beginning after December 15, 2018.

The Corporation's management is not able to estimate the extent of the potential impact of these statements on the future financial statements.



**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**

Board of Directors
Ramapo Local Development Corporation
Suffern, New York

We have audited, 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, the financial statements of the Ramapo Local Development Corporation (Corporation) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated July 12, 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 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2016-001 to be a material weakness.

Corporation's Response to Findings

The Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Corporation's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BST & CO. CPAs, LLP

Albany, New York
July 12, 2019



Ramapo Local Development Corporation

(A Component Unit of the Town of Ramapo, New York)

Schedule of Findings and Responses December 31, 2016 and 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of report auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

- | | | |
|---|-----------------------|--------------------------------|
| • Material weakness(es) identified? | <u> X </u> Yes | <u> </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None reported |
| Noncompliance material to financial statements noted? | <u> </u> Yes | <u> X </u> No |

Section II - Financial Statement Findings

2016-001 Monitoring of Financial Reporting Processes

Criteria: The control environment is the set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. The Board of Directors and senior management establish the tone at the top regarding the importance of internal control and expected standards of conduct.

Condition and cause: For the fiscal year-ended December 31, 2016, the Corporation's internal control structure was not properly designed, and therefore, not operating effectively. The Corporation Board failed to adequately monitor the internal control structure of the Corporation's finance department, which has resulted in material errors and delayed financial statements.

Effect or potential effect: Without adequate oversight and monitoring procedures, multiple material weaknesses and significant deficiencies have been identified. Material adjusting journal entries are required to prepare the Corporation's financial statements in accordance with U.S. GAAP, and financial reporting has been significantly delayed.

Recommendation: We recommend that members of the Corporation Board implement internal controls to effectively monitor the design and operating effectiveness of internal controls over financial reporting.

View of responsible officials and planned corrective actions: The Corporation is a component unit of the Town of Ramapo (Town). In May of 2017, the Board of the Town took complete control of the management and financial reporting of the Corporation. The Board of the Corporation was reconstituted, and the members of the Board of the Town were appointed to also serve as the Board of the Corporation. The Supervisor of the Town was appointed as the President of the Corporation, and the Director of Finance of the Town was appointed the Treasurer of the Corporation. A qualified accountant was assigned to maintain the books and records of the Corporation and to prepare and distribute monthly financial reports to the Board. With the above changes, the Corporation is now adhering to best practices in financial management and reporting.