

**TOWN OF BROOKHAVEN
LOCAL DEVELOPMENT CORPORATION
(A Component Unit of the Town of Brookhaven, NY)**

**FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITORS' REPORT)**

Years Ended December 31, 2021 and 2020

**TOWN OF BROOKHAVEN
LOCAL DEVELOPMENT CORPORATION**

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Independent Auditors' Report

To the Board of Directors
Town of Brookhaven Local Development Corporation
Farmingville, New York

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Town of Brookhaven Local Development Corporation (the "Corporation"), a component unit of the Town of Brookhaven, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021 and 2020, and the changes in financial position, and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Financial Statements (continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Required Supplementary Information (continued)

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 16, 2022, 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.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Hauppauge, New York

March 16, 2022

REQUIRED SUPPLEMENTARY INFORMATION
Management's Discussion and Analysis

TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended December 31, 2021 and 2020

This section presents management's analysis of the Town of Brookhaven Local Development Corporation's (the "Corporation"), a blended component unit of the Town of Brookhaven, financial condition and activities for the years ended December 31, 2021 and 2020. Please read this information in conjunction with the financial statements. Management's Discussion and Analysis is Required Supplementary Information specified in the Government Accounting Standards Board Statement No. 34.

FINANCIAL HIGHLIGHTS

The Corporation's assets exceeded liabilities at close of 2021 and 2020 by \$536,191 and \$614,595, respectively. These funds are unrestricted and may be utilized for the general operations of the Corporation.

Charges for services totaled \$5,000 in 2021 and \$346,768 in 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis ("MD&A") serves as an introduction to the basic financial statements. The MD&A represents management's discussion and analysis of the Corporation's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Corporation's operating plan and other management tools were used for this analysis.

The financial statements report information about the Corporation, which is an enterprise-type fund. The Corporation applies the full accrual accounting method as used by similar business activities in the private sector. The statements offer short and long-term financial information.

The financial statements include the statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows, and notes to the financial statements. The statements of net position include all of the Corporation's assets and liabilities and provides information about the nature of such amounts.

The statements of revenues, expenses, and changes in net position present the results of the Corporation's activities over the course of the year and information as to how the net position changed during the 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 the related cash flows.

The statements of cash flows present changes in cash resulting from operating and investing activities.

The notes to the financial statements provide required disclosures and other information that is essential to a full understanding of material data provided in the statements. The notes present information about the Corporation's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

FINANCIAL ANALYSIS OF THE CORPORATION

One of the most important objectives of the financial analysis is to determine if the Corporation, as a whole, is better or worse off as a result of the year's activities.

TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS Years Ended December 31, 2021 and 2020

FINANCIAL ANALYSIS OF THE CORPORATION (continued)

The statements of net position and the statements of revenues, expenses, and changes in net position provide useful information in this regard. The statements report the net position of the Corporation and the changes in net position. The amount of net position (the difference between total assets and liabilities) is a significant measure of the financial health or financial position of the Corporation.

Over time, increases or decreases in the Corporation's net position is one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors, such as changes in economic conditions, population growth, zoning, and new government legislation or changes to existing government legislation should be considered in evaluating the financial condition of the Corporation.

The following comparative condensed financial statements and other selected information serve as the financial data and indicators for management's monitoring and planning.

Net Position

A summary of the Corporation's condensed statements of net position at December 31st is presented as follows:

	2021	2020	2019
Assets			
Current assets	\$ 547,975	\$ 618,235	\$ 289,675
Total Current Assets	<u>547,975</u>	<u>618,235</u>	<u>289,675</u>
Liabilities			
Current liabilities	11,784	3,640	3,325
Total Liabilities	<u>11,784</u>	<u>3,640</u>	<u>3,325</u>
Net Position			
Unrestricted	536,191	614,595	286,350
Total Net Position	<u>\$ 536,191</u>	<u>\$ 614,595</u>	<u>\$ 286,350</u>

Total assets as of December 31, 2021 were \$547,975, which are comprised of cash and prepaid expenses. The Corporation's net position is comprised of unrestricted net position in the amount of \$536,191, which is available to support future Corporation operations. The net position decreased by \$78,404 for the current year, which was primarily due to no project closings in 2021 and operating expenses exceeding revenues.

Total assets as of December 31, 2020 were \$618,235, which are comprised of cash and prepaid expenses. The Corporation's net position is comprised of unrestricted net position in the amount of \$614,595, which is available to support future Corporation operations. The net position increased by \$328,245 in 2020, which was primarily due to the number and size of project closings in 2020 therefore revenues exceeding operating expenses.

TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS Years Ended December 31, 2021 and 2020

FINANCIAL ANALYSIS OF THE CORPORATION (continued)

Operating Results

The Corporation's condensed statements of revenues, expenses, and changes in net position for the years ending December 31st, are presented as follows:

	2021	2020	2019
Operating Revenues			
Charges for services	\$ 5,000	\$ 346,768	\$ 14,000
Total Operating Revenues	<u>5,000</u>	<u>346,768</u>	<u>14,000</u>
Operating Expenses			
Contractual goods and services	84,848	20,003	22,426
Total Operating Expenses	<u>84,848</u>	<u>20,003</u>	<u>22,426</u>
(Loss) income from Operations	<u>(79,848)</u>	<u>326,765</u>	<u>(8,426)</u>
Non-Operating Revenues	1,444	1,480	3,340
Change in Net Position	(78,404)	328,245	(5,086)
Net Position at Beginning of Year	614,595	286,350	291,436
Net Position at End of Year	<u>\$ 536,191</u>	<u>\$ 614,595</u>	<u>\$ 286,350</u>

Charges for services decreased by \$341,768 from 2020 to 2021. The decrease is primarily due to the receipt totaled \$335,518 of project closings fees during 2020 compared to 2021 where there were no project closing fees earned. Annual administration fees decreased \$1,000 from 2020 to 2021. The 2019 operating revenues consists of application fees and annual administration fees, there were no project closing fees earned.

The 2021 total expenses increased \$64,845 from \$20,003 in 2020. The increase is due to the following: salary and related payroll taxes totaling \$26,162, advertising, publications and special projects totaling \$21,326, travel and conferences expenses totaling \$7,691 and rent expenses totaling \$4,500. There were no related expenses in 2020 and 2019, respectively.

ECONOMIC FACTORS AND NEXT YEAR'S PLAN

The Town of Brookhaven Local Development Corporation was established during 2010 following the expiration of New York State's civic facilities legislation. The goal is to facilitate financing for not-for-profit organizations such as colleges, hospitals, libraries, and those organizations serving people who are physically, developmentally or mentally disabled. The Corporation earns revenue from applications fees, annual administrative fees and closing fees. The Corporation plans to continue and expand its assistance to finance facilities for the local not-for-profit corporations through offering:

- Federally tax-exempt bond financing
- Mortgage recording tax exemptions

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our readers with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town of Brookhaven Local Development Corporation at 1 Independence Hill, Farmingville, New York 11738.

BASIC FINANCIAL STATEMENTS

TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION

COMPARATIVE STATEMENT OF NET POSITION

	December 31,	
	2021	2020
ASSETS		
Current Assets:		
Cash	\$ 538,775	\$ 610,336
Prepaid expenses	9,200	7,899
Total Current Assets	<u>547,975</u>	<u>618,235</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	7,384	3,640
Due to other governments	4,400	-0-
Total Current Liabilities	<u>11,784</u>	<u>3,640</u>
NET POSITION		
Unrestricted	<u>536,191</u>	<u>614,595</u>
Total Net Position	<u>\$ 536,191</u>	<u>\$ 614,595</u>

See notes to financial statements.

TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION

COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	<u>Years Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Charges for services	\$ 5,000	\$ 346,768
Total Operating Revenues	<u>5,000</u>	<u>346,768</u>
OPERATING EXPENSES		
Administration salaries and payroll taxes	26,162	-0-
Advertising, public relations and special projects	21,326	-0-
Office expenses	5,783	2,247
Travel and conferences	7,691	-0-
Insurance	12,136	11,226
Rent	4,500	-0-
Professional fees	7,250	6,530
Total Operating Expenses	<u>84,848</u>	<u>20,003</u>
(Loss) Income from Operations	<u>(79,848)</u>	<u>326,765</u>
NON-OPERATING REVENUES		
Interest income	1,444	1,480
Total Non-Operating Revenues	<u>1,444</u>	<u>1,480</u>
Change in Net Position	(78,404)	328,245
Net Position at Beginning of Year	<u>614,595</u>	<u>286,350</u>
Net Position at End of Year	<u>\$ 536,191</u>	<u>\$ 614,595</u>

See notes to financial statements.

TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION

COMPARATIVE STATEMENT OF CASH FLOWS

	Years Ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from projects	\$ 5,000	\$ 346,768
Cash paid for payroll and related expenses	(26,162)	-0-
Cash payments for contractual expenses	(51,843)	(20,092)
Net Cash From Operating Activities	(73,005)	326,676
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	1,444	1,480
Net Cash From Investing Activities	1,444	1,480
Net Change in Cash	(71,561)	328,156
Cash at Beginning of Year	610,336	282,180
Cash at End of Year	\$ 538,775	\$ 610,336
 RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
(Loss) income from operations	\$ (79,848)	\$ 326,765
Adjustments to reconcile (loss) income from operations to net cash used by operating activities:		
Increase in assets:		
Prepaid expenses	(1,301)	(404)
Increase in liabilities:		
Due to other governments	4,400	-0-
Accounts payable and accrued expenses	3,744	315
Net Cash From Operating Activities	\$ (73,005)	\$ 326,676

See notes to financial statements.

TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2021 and 2020

A. Summary of Significant Accounting Policies

The Town of Brookhaven Local Development Corporation (the "Corporation") was created as a local development corporation. The Corporation was established in June 2010, pursuant to Section 1411 of the New York Not-for-Profit Corporation Law ("NPL"), following the expiration of New York State's civic facilities legislation. The goal is to facilitate financing for not-for-profit organizations such as colleges, hospitals, libraries, and those organizations serving people who are physically, developmentally or mentally disabled. The Corporation provides the following assistance:

- Federally tax-exempt bond financing
- Mortgage recording tax exemptions

The financial statements of the Corporation have been prepared in conformity with generally accepted accounting principles in the United States, as prescribed by the Governmental Accounting Standards Board ("GASB"). GASB is the primary standard-setting body for establishing governmental accounting and financial reporting principles.

The Corporation is governed by a Board ("Corporation Board") consisting of seven members, and which is the legislative body responsible for overall operations. The members of the Corporation's Board are appointed by the Town of Brookhaven (the "Town") and shall hold office until his/her successor is appointed and qualified. The Corporation is a blended component unit of the Town and for the Town's financial reporting purposes.

The Corporation's more significant accounting policies are described below.

1. Financial Reporting

The financial reporting entity includes all functions and activities of the Town of Brookhaven Local Development Corporation. No other governmental organization has been included or excluded from the reporting entity.

2. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The Corporation uses the economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Corporation distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with ongoing operations. Operating revenues consist of charges for services and operating expenses are expenses incurred in providing those services. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The financial statements include statements of net position, statements of revenues, expenses, and changes in net position, and statements of cash flows.

TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2021 and 2020

A. Summary of Significant Accounting Policies (continued)

3. Cash

For purposes of reporting the statements of cash flows, cash is defined as short-term highly liquid investments including certificates of deposit. The statements of cash flows presented uses the direct method.

4. Prepaid Expenses

Prepaid expenses consist of payments to vendors for costs which are applicable to future accounting periods.

5. Capital Assets

Capital assets purchased or acquired (if applicable) with an original cost of \$5,000 or more and an estimated useful life in excess of one year, are accounted for as capital assets. The Corporation has no capital assets.

6. Net Position Classification

In the financial statements, equity is classified as net position and, where applicable, displayed in three components:

- a. Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.
- b. Restricted component of net position - consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Net position should be reported as restricted when constraints placed on net position use are either (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted component of net position - is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets and the restricted components of net position.

When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as needed.

TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2021 and 2020

A. Summary of Significant Accounting Policies (continued)

7. Revenue Recognition

The Corporation's primary source of operating revenue is from application fees, annual administrative fees and project closing fees from bond issuances, which are computed as a percentage of the total project. Fees are recorded as income when earned at the time of closing on the sale of bond indentures.

8. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and such differences may be material.

9. Income Taxes

The Corporation is a not-for-profit corporation organized pursuant to Section 402 and Section 1411 of the NPL, and is therefore, exempt from income taxes. The Corporation is also exempt from Federal reporting requirements under Internal Revenue Service Revenue Procedure 95-48, 1995-2 C.B. 418 as a governmental unit of an affiliate of a government unit described in the procedure.

10. Recent Accounting Pronouncements

The Corporation has adopted the following Statement of Governmental Accounting Standards Board ("GASB") during the year ended December 31, 2021 as follows:

- Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*", and
- Statement No. 98, "*The Annual Comprehensive Financial Report*".

The implementation of the aforementioned Statements had no impact on the Corporation's financial statements.

11. Subsequent Events

Subsequent events have been evaluated through March 16, 2022, which is the date the financial statements were available to be issued. Management has determined that there were no events that occurred that require additional disclosure.

TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2021 and 2020

B. Deposits

Cash consist of funds deposited in demand accounts.

The Corporation's deposits and investments are governed by a formal investment policy. The Corporation's monies must be deposited in commercial banks or trust companies, which are members of the Federal Deposit Insurance Corporation and located within New York State.

Collateral is required for demand deposits and time deposits accounts of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral include obligations of the United States and its agencies and obligations of the State and its municipalities. The Corporation's collateral agreements are based on the Corporation's available balance.

Custodial Credit Risk - Deposits/Investments - Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits or recover collateral securities that are in possession of an outside Corporation. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

Deposits are required to be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

- Uncollateralized,
- Collateralized with securities held by the pledging financial institution, or
- Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Corporation's name.

At December 31, 2021, the carrying amount of the Corporation's cash totaled \$538,775. The bank balance was \$542,205, of which \$250,000 was covered by the Federal Depository Insurance Corporation and \$292,205 was collateralized by securities held by the Corporation's agent, a third-party financial institution. At December 31, 2020, the carrying amount of the Corporation's cash totaled \$610,336.

C. Conduit Debt Obligations

The Corporation may issue revenue bonds to provide financial assistance to not-for-profit corporations for the acquisition of construction and equipment facilities for not-for-profits deemed to be in the public interest or refunding high-interest rate debt. The bonds are required to be secured by the property financed and are payable solely from payments received on the underlying mortgage loans.

Neither the Corporation, the Town of Brookhaven, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2021 and 2020, there was \$222,410,000 and \$227,745,000, respectively, of conduit debt outstanding.

TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2021 and 2020

D. Litigation

The Corporation is subject to litigation in the ordinary conduct of its affairs. Management does not believe, however, that such litigation, individually or in the aggregate, is likely to have a material adverse effect on the financial condition of the Corporation.

E. Related Party Transactions

Effective January 1, 2021, the Corporation entered into an inter-municipal agreement with the Town of Brookhaven Industrial Development Agency ("IDA"), a related party due to a common Board of Directors, to reimburse the IDA for allocable costs. At December 31, 2021 the Corporation owed the IDA \$4,400. During the years ended December 31, 2021 and 2020, the Corporation recognized \$29,964 and \$-0- of allocable expenses, respectively.

F. New Pronouncements Not Yet Effective

GASB has issued several statements which are to be implemented in future years. The Agency is currently evaluating the impact of the various pronouncements on its financial statements.

OTHER REPORTS

**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***

Independent Auditors' Report

To the Board of Directors
Town of Brookhaven Local Development Corporation
Farmingville, New York

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 financial statements of the Town of Brookhaven Local Development Corporation (the "Corporation") as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 16, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Hauppauge, New York

March 16, 2022