

**TOWN OF BROOKHAVEN LOCAL DEVELOPMENT
CORPORATION**

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

Year Ended December 31, 2016

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the Town of Brookhaven Local Development Corporation (the "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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the 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 opinion.

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Opinion

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

Other Matters

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. 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 21, 2017, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Albert, Vijay, Zuh & Terry P.C.

Hauppauge, New York
March 21, 2017

REQUIRED SUPPLEMENTARY INFORMATION
Management's Discussion and Analysis

TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2016

This section presents management's analysis of the Town of Brookhaven Local Development Corporation (the "Corporation"), financial condition and activities for the year ended December 31, 2016. Please read this information in conjunction with the financial statements.

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 examination 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 full accrual accounting methods as used by similar business activities in the private sector. The statements offer short and long-term financial information.

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

The statement of revenues, expenses, and changes in net position presents 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 statement of cash flows presents changes in cash and cash equivalents resulting from operating, investing and financing 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. The statement of net position and the statement of revenues, expenses, and changes in net position provide useful information in this regard. 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.

TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
 Year Ended December 31, 2016

FINANCIAL ANALYSIS OF THE CORPORATION (continued)

Over time, increases or decreases in the Corporation's net position are 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 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 statement of net position at December 31st is presented as follows:

	2016	2015
Assets		
Current and other assets	\$ 324,607	\$ 230,539
Total Current Assets	324,607	230,539
Liabilities		
Current and other liabilities	3,000	1,648
Total Liabilities	3,000	1,648
Net Position		
Unrestricted	321,607	228,891
Total Net Position	\$ 321,607	\$ 228,891

Total assets as of December 31, 2016 were \$324,607, which were comprised of cash and cash equivalents and prepaid expenses. Net position is unrestricted in the amount of \$321,607, which is available to support operations. The net position increased by \$92,716 for the current year.

Operating Results

The Corporation's condensed statement of revenues, expenses, and changes in net position at December 31st, are presented as follows:

	2016	2015
Operating Revenues		
Charges for services	\$ 115,014	\$ -
Total Operating Revenues	115,014	-
Operating Expenses		
Contractual goods and services	22,298	19,064
Total Operating Expenses	22,298	19,064
Change in Net Position	92,716	(19,064)
Net Position at Beginning of Year	228,891	247,955
Net Position at End of Year	\$ 321,607	\$ 228,891

**TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2016**

FINANCIAL ANALYSIS OF THE CORPORATION (continued)

Operating Results (continued)

During 2016, the Corporation earned \$115,014 of revenues consisting of closing fees of \$111,014 from the closing of one project and \$4,000 of application fees from one project. In 2015, the Corporation did not close on any projects.

ECONOMIC FACTORS AND NEXT YEAR'S PLAN

The Town of Brookhaven Local Development Corporation (LDC) 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
STATEMENT OF NET POSITION
December 31, 2016

ASSETS

Current Assets:

Cash	\$ 314,974
Prepaid expenses	<u>9,633</u>
Total Current Assets	<u>324,607</u>

LIABILITIES

Current Liabilities:

Accounts payable and accrued expenses	<u>3,000</u>
Total Current Liabilities	<u>3,000</u>

NET POSITION

Unrestricted	<u>321,607</u>
Total Net Position	<u>\$ 321,607</u>

See notes to financial statements.

TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended December 31, 2016

OPERATING REVENUES:

Charges for services	\$ 115,014
Total Operating Revenues	<u>115,014</u>

OPERATING EXPENSES:

Administration	989
Advertising and promotion	3,750
Insurance	13,567
Professional fees	<u>3,992</u>
Total Operating Expenses	<u>22,298</u>

Income from Operations 92,716

Net Position at Beginning of Year	<u>228,891</u>
Net Position at End of Year	<u><u>\$ 321,607</u></u>

See notes to financial statements.

TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from projects	\$ 115,014
Cash payments for contractual expenses	<u>(21,204)</u>
Net Cash Provided by Operating Activities	<u>93,810</u>
Net Increase in Cash	93,810
Cash at Beginning of Year	<u>221,164</u>
Cash at End of Year	<u><u>\$ 314,974</u></u>

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

Income from operations	\$ 92,716
Adjustments to reconcile income from operations to net cash provided by operating activities:	
(Increase)/decrease in assets	
Prepaid expenses	(258)
Increase/(decrease) in liabilities	
Accounts payable and accrued expenses	<u>1,352</u>
Net Cash Provided by Operating Activities	<u><u>\$ 93,810</u></u>

See notes to financial statements.

TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2016

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 during 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:

- o Federally tax-exempt bond financing.
- o 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 of Directors, who are responsible for the overall operations. Each Board Member is appointed for a five year term by the Town of Brookhaven (the "Town") and shall hold office until his/her successor is appointed and qualified.

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

TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2016

A. Summary of Significant Accounting Policies (continued)

3. Cash

For purposes of reporting the statement of cash flows, cash is defined as short-term highly liquid investments including certificates of deposit. The statement 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. The Corporation has no net investment in capital assets at December 31, 2016.
- 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. The Corporation has no restricted net position at December 31, 2016.
- 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 restricted component of net position. At December 31, 2016, the Corporation's net position of \$321,607 is unrestricted.

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
Year Ended December 31, 2016

A. Summary of Significant Accounting Policies (continued)

7. Revenue Recognition

The Corporation's primary source of operating revenue is 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.

9. Income Taxes

The Corporation is a not-for-profit corporation organized pursuant to Sections 402 and 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. New Pronouncement

The Corporation has adopted all of the statements of issued by the Governmental Accounting Standards Board ("GASB") that are applicable. The implementation of the new standards had no impact on the Corporation's financial statements.

11. Subsequent Events

Management has evaluated subsequent events through the date of the report, which is the date the financial statements were available to be issued.

B. Deposits

The Corporation's 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 at 102% 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 and school districts. The Corporation's collateral requirements, pursuant to the collateral agreements, are based on the Corporation's available balance.

TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2016

B. Deposits (continued)

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, 2016, the Corporation's cash was insured by the Federal Depository Insurance Corporation or collateralized by securities held by the Corporation's agent, a third party financial institution.

C. Conduit Debt Obligations

The Corporation may issue revenue bonds to provide financial assistance to not-for-profit corporations for the acquisition of construct and equip facilities for not-for-profits deemed to be in the public interest or refunding high-interest rate debt. The bonds are required to be secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the not-for profit organizations served by the bond issuance.

Neither the Corporation, the Town of 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, 2016 there was \$123,018,446 of conduit debt outstanding.

D. Related Party Transactions

The Corporation shares facilities and equipment of the Town of Brookhaven ("Town") and the Town of Brookhaven Industrial Development Agency ("IDA"), on an as needed, rent free basis. Certain employees of the Town and IDA volunteer their time for the Corporation's activities.

E. New Pronouncements

Statement No. 80, *"Blending Requirements for Certain Component Units – an Amendment of Statement No. 14,"* the objective of which is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016.

The Corporation is currently evaluating the impact of the above pronouncement.

OTHER REPORTS



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
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, 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 March 21, 2017.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of the 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.

Abhinav Vajpey, CPA & Co. P.C.

Hauppauge, New York
March 21, 2017



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH CORPORATION INVESTMENT POLICY

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

Report

We have examined the Town of Brookhaven Local Development Corporation's (the "Corporation") compliance with the Corporation's investment policy during the period January 1, 2016 through December 31, 2016.

Management's Responsibility

Management is responsible for the Corporation's compliance with their investment policy.

Auditors' Responsibility

Our responsibility is to express an opinion on the Corporation's compliance based on our examination. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Corporation's compliance with specified requirements.

Opinion

In our opinion, the Corporation complied, in all material respects, with the aforementioned requirements during the period January 1, 2016 through December 31, 2016.

Other Matters

This report is intended solely for the information and use of the Board, audit committee, management of the Corporation, and the New York State Comptroller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Albrecht, Viggiano, Zureck & Company P.C.

Hauppauge, New York
March 21, 2017

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