

**TOWN OF BROOKHAVEN  
LOCAL DEVELOPMENT CORPORATION**

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

Years Ended December 31, 2020 and 2019

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## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying 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, 2020 and 2019, 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 audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 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 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, 2020 and 2019, 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.

### **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 24, 2021, 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 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 24, 2021

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Management's Discussion and Analysis**

## **TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section presents management's analysis of the Town of Brookhaven Local Development Corporation's (the "Corporation"), a component unit of the Town of Brookhaven, financial condition and activities for the years ended December 31, 2020 and 2019. 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.

### **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 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. 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.

**TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL ANALYSIS OF THE CORPORATION (continued)**

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:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Assets</b>			
Current assets	\$ 618,235	\$ 289,675	\$ 294,736
Total Current Assets	<u>618,235</u>	<u>289,675</u>	<u>294,736</u>
<b>Liabilities</b>			
Current liabilities	<u>3,640</u>	<u>3,325</u>	<u>3,300</u>
Total Liabilities	<u>3,640</u>	<u>3,325</u>	<u>3,300</u>
<b>Net Position</b>			
Unrestricted	<u>614,595</u>	<u>286,350</u>	<u>291,436</u>
Total Net Position	<u>\$ 614,595</u>	<u>\$ 286,350</u>	<u>\$ 291,436</u>

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 for the current year, which was primarily due to the number and size of project closings in 2020 and revenues exceeding operating expenses.

Total assets as of December 31, 2019 were \$289,675, which are comprised of cash and prepaid expenses. The Corporation's net position is comprised of unrestricted net position in the amount of \$286,350, which is available to support future Corporation operations. The net position decreased by \$5,086 for the current year, which was primarily due to no project closings in 2019 and operating expenses exceeding revenues.

**TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**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 31<sup>st</sup>, are presented as follows:

	2020	2019	2018
<b>Operating Revenues</b>			
Charges for services	\$ 346,768	\$ 14,000	\$ 6,000
Total Operating Revenues	<u>346,768</u>	<u>14,000</u>	<u>6,000</u>
<b>Operating Expenses</b>			
Contractual goods and services	20,003	22,426	22,944
Total Operating Expenses	<u>20,003</u>	<u>22,426</u>	<u>22,944</u>
Income (Loss) from Operations	<u>326,765</u>	<u>(8,426)</u>	<u>(16,944)</u>
<b>Non-Operating Revenues</b>	<u>1,480</u>	<u>3,340</u>	<u>2,790</u>
Change in Net Position	328,245	(5,086)	(14,154)
<b>Net Position at Beginning of Year</b>	<u>286,350</u>	<u>291,436</u>	<u>305,590</u>
Net Position at End of Year	<u>\$ 614,595</u>	<u>\$ 286,350</u>	<u>\$ 291,436</u>

Charges for services increased by \$332,768 from 2019 to 2020. The increase is primarily due to the receipt of \$335,518 of project closing fees which was offset by a \$2,750 net decrease in revenues from application and termination fees. There were no project closings during 2019 and 2018. The 2020 total expenses of \$20,003 decreased slightly from the 2019 and 2018 levels of \$22,426 and \$22,944, 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

However, on January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken globally and especially in New York State to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Corporation operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Corporation, the Corporation is expecting this matter to negatively impact its future revenues.



**TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**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**  
**STATEMENTS OF NET POSITION**  
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 610,336	\$ 282,180
Prepaid expenses	7,899	7,495
Total Current Assets	<u>618,235</u>	<u>289,675</u>
 <b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	3,640	3,325
Total Current Liabilities	<u>3,640</u>	<u>3,325</u>
 <b>NET POSITION</b>		
Unrestricted	<u>614,595</u>	<u>286,350</u>
Total Net Position	<u>\$ 614,595</u>	<u>\$ 286,350</u>

See notes to financial statements.

**TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 346,768	\$ 14,000
Total Operating Revenues	<u>346,768</u>	<u>14,000</u>
<b>OPERATING EXPENSES</b>		
Administration	2,247	1,120
Insurance	11,226	14,581
Professional fees	6,530	6,725
Total Operating Expenses	<u>20,003</u>	<u>22,426</u>
Income (Loss) from Operations	<u>326,765</u>	<u>(8,426)</u>
<b>NON-OPERATING REVENUES</b>		
Interest income	1,480	3,340
Total Non-Operating Revenues	<u>1,480</u>	<u>3,340</u>
Change in Net Position	328,245	(5,086)
<b>Net Position at Beginning of Year</b>	<u>286,350</u>	<u>291,436</u>
Net Position at End of Year	<u>\$ 614,595</u>	<u>\$ 286,350</u>

See notes to financial statements.

**TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from projects	\$ 346,768	\$ 14,000
Cash payments for contractual expenses	<u>(20,092)</u>	<u>(20,407)</u>
Net Cash Provided (Used) by Operating Activities	<u>326,676</u>	<u>(6,407)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	<u>1,480</u>	<u>3,340</u>
Net Cash Provided by Investing Activities	<u>1,480</u>	<u>3,340</u>
Net Increase (Decrease) in Cash	328,156	(3,067)
<b>Cash at Beginning of Year</b>	<u>282,180</u>	<u>285,247</u>
Cash at End of Year	<u>\$ 610,336</u>	<u>\$ 282,180</u>
<b>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Income (loss) from operations	\$ 326,765	\$ (8,426)
Adjustments to reconcile income (loss) from operations to net cash used by operating activities:		
(Increase) Decrease in assets:		
Prepaid expenses	(404)	1,994
Increase in liabilities:		
Accounts payable and accrued expenses	<u>315</u>	<u>25</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 326,676</u>	<u>\$ (6,407)</u>

See notes to financial statements.

**TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 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 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 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**  
December 31, 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. The Corporation has no net investment in capital assets at December 31, 2020 and 2019.
- 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, 2020 and 2019.
- 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, 2020 and 2019, the Corporation's unrestricted net position totaled \$614,595 and \$286,350, respectively.

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**  
December 31, 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, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 ("Coronavirus") pandemic and the mitigation responses, 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, 2020 as follows:

- Statement No. 83, "*Certain Asset Retirement Obligations*"
- Statement No. 84, "*Fiduciary Activities*"
- Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*"
- Statement No. 90, "*Majority Equity Interest an amendment of GASB Statements No. 14 and No. 61*"

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 24, 2021, which is the date the financial statements were available to be issued. Management as determined that there were no events that occurred that require additional disclosure.



**TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

**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.

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, 2020, the carrying amount of the Corporation's cash totaled \$610,336. The bank balance was \$610,703, of which \$250,000 was covered by the Federal Depository Insurance Corporation and \$360,703 was collateralized by securities held by the Corporation's agent, a third-party financial institution. At December 31, 2019, the carrying amount of the Corporation's cash totaled \$282,180.

**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. 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, 2020 and 2019, there was \$227,745,000 and \$104,949,336, respectively, of conduit debt outstanding.

**TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 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**

The Corporation shares facilities and equipment of the Town of Brookhaven (the "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.

**F. New Pronouncements Not Yet Effective**

The following statements have been issued by the GASB and are to be implemented in future years, as applicable:

Statement No. 87, "*Leases*" establishes accounting and financial reporting of leases. It requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. For leases with terms in-excess of 12 months, the Statement requires the leases 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. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 (as extended by Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*").

Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*" requires that interest costs incurred before the end of a construction period be recognized as an expense. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset recorded in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (as extended by Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*").

Statement No. 91, "*Conduit Debt Obligations*" clarifies the existing definition of conduit debt obligations, establishes that a conduit debt obligation is not a liability of the issuer, establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations and also improves required not disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021 (as extended by Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*").

**TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

**F. New Pronouncements Not Yet Effective** (continued)

Statement No. 92, "*Omnibus 2020*" has been issued to provide guidance in leases, pension plans and a wide range of other accounting and financial reporting issues that were identified during the implementation and application of some earlier pronouncements. The requirements of this Statement are effective as follows: (a) paragraphs 6 and 7, fiscal years beginning after June 15, 2021, and (b) paragraphs 8, 9, 10 and 12, reporting beginning after June 15, 2021

Statement No. 93, "*Replacement of Interbank Offered Rates*" amends certain provisions of GASB Statement No. 53, "*Accounting and Financial Reporting for Derivative Instruments*" as amended) and 87, "*Leases*". It has been issued to address the various accounting and reporting implications that will result from the replacement of LIBOR, as LIBOR will cease to exist in 2021. Among other provisions, this Statement provides exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when LIBOR is replaced as the reference rate of the hedging derivative instrument's variable payment, clarifies the hedge accounting termination provisions when a hedge item is amended to replace the reference rate, clarifies the GASB Statement No. 53 definition of a *reference rate*, and identifies a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap. The requirements of this Statement are effective for years beginning after June 15, 2021 (as extended by Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*"), except for the provisions that LIBOR is not an appropriate benchmark interest rate for a derivative instrument that hedges the interest rate of taxable debt, which is effective for years ending after December 31, 2021.

Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*", this Statement has been issued to improve financial reporting related to public-private and public-public partnership arrangements, in which one a government (transferor) contracts with an operator (governmental or nongovernmental entity) to provide public services by conveying the right to operate or use a nonfinancial assets. The requirements of this Statement are effective for years beginning after June 15, 2022.

Statement No. 96, "*Subscription-Based Information Technology Arrangements*", this Statement has been issued to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, "*Leases*", as amended. The requirements of this Statement are effective for years beginning after June 15, 2022.

**TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

**F. New Pronouncements Not Yet Effective** (continued)

Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statement No. 14 and No. 84 and a suppression of GASB Statement No. 32*", this Statement has been issued to (1) increase consistency in reporting of fiduciary component units in instances where the potential component unit does not have a governing board and the primary government performs the duties of a governing board (effective upon issuance); (2) mitigate costs associated with the reporting of certain defined contribution plans and employee benefits plans other than pension plans or OPEB plans as fiduciary component units (effective upon issuance), and (3) enhances relevance and consistency of accounting and financial reporting for Internal Revenue Service Section 457 deferred compensation plans that meet the definition of a pension plan for benefits provided through those plans. The requirements of this Statement are effective as follows:

- Paragraphs 4 and 5, effective upon issuance.
- Paragraphs 6 to 9, effective years beginning after June 15, 2021.
- All other requirements, effective reporting periods beginning after June 15, 2021.

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

**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, 2020 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 24, 2021.

**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 may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*PKF O'Connor Davies, LLP*

**PKF O'Connor Davies, LLP**

Hauppauge, New York

Month 24, 2021