

Town of Babylon L.D. Corporation II
Report to Those Charged with Governance
December 31, 2024

March 19, 2025

Prepared by

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**KNOW
GREATER
VALUE**

March 19, 2025

Board of Directors
Town of Babylon L.D. Corporation II

We have completed our audit of the financial statements of the Town of Babylon L.D. Corporation II (the "Corporation"), a component unit of the Town of Babylon, as of and for the year ended December 31, 2024.

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated October 1, 2024. Professional standards also require that we communicate to you the following information related to our audit.

We are pleased to be of service to you and the Corporation and appreciate the opportunity to present our audit findings to you. We are also pleased to discuss other matters which may be of interest to you and to answer any questions you may have.

This information is intended solely for the information and use of Those Charged with Governance and management of the Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

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Financial Highlights

Statement of Net Position and Statement of Activities

- The assets of the Corporation exceeded its liabilities at the close of 2024 by \$2,065,132 (net position). The Corporation's total net position decreased by \$364,197 in 2024, due to expenditures exceeding revenues, primarily due to a decrease in charges for services due to less project closings as compared to 2023. The costs associated with the Wyandanch Health and Wellness Center and the Community Benefit program also exceeded the funds received in 2024 from the Town through the American Rescue Plan Act (ARPA).
- The assets of the Corporation exceeded its liabilities at the close of 2023 by \$2,429,329 (net position). The Corporation's total net position increased by \$474,847 in 2023 as compared to 2022, due to revenues exceeding expenditures, primarily due to charges for services revenue received from two closings as well as funds received from the Town through the ARPA to cover costs associated with the Wyandanch Health and Wellness Center and for the Community Benefit program expenses during 2023.
- Total assets at December 31, 2024 were \$2,991,952, which exceeded total liabilities by \$2,065,132 (net position). Of the Corporation's net position, \$4,776 relates to the investment in capital assets, \$1,881,745 is restricted for special purpose, and the remaining \$178,611 was unrestricted, which is available to support future operations.
- Total assets decreased by \$340,294 at December 31, 2024 compared to December 31, 2023, primarily due to a decrease in amounts due from other governments of \$702,400, which is primarily due to the Corporation submitting \$100,000 of reimbursable expenses to Suffolk County at December 31, 2024, relating to the agreement with Suffolk County for a JumpSMART grant that provides funding for projects and programs that supports small businesses, as compared to \$802,400 accrued at December 31, 2023.
- Total liabilities increased by \$23,903 at December 31, 2024 compared to December 31, 2023, primarily due to an increase in deferred revenue of \$472,962 which is due to an increase in special program funds received in 2024 for which no expenses have been incurred. The Corporation also recognized a lease payable (current and long-term) of \$118,782 relating to the recreational space lease; there were no leases in 2023. There was an increase in due to other governments of \$53,338 related to repayments of expenses incurred by the Town of Babylon Industrial Development Agency, a related party on behalf of the Corporation, in connection with a special program fund received from the Town of Babylon to enhance the quality of life of residents in the Town of Babylon.
- The Corporation charges for services revenue during the year ended December 31, 2024 decreased by \$263,163 compared to December 31, 2023, due to a decrease in closing fees, due to less project closings in 2024 compared to 2023.

Financial Highlights (continued)

Statement of Net Position and Statement of Activities (continued)

- The Corporation's operating expenses for the year ended December 31, 2024 were \$203,014, an increase of \$71,548 compared to December 31, 2023, primarily due to increases in professional fees of \$53,745 which is mainly attributable to \$21,000 in audit fees related to the single audit performed for the year ended December 31, 2023; additional increase related to increased legal fees for ongoing projects within the Corporation. There was also an increase in office expenses of \$2,929 and increase in depreciation/amortization expense of \$14,874 due to the Corporation acquiring machinery and equipment and recognizing a right-to-use asset in 2024.
- Net non-operating expenses were \$223,137 at December 31, 2024, compared to net non-operating revenues of \$281,196 at December 31, 2023; a decrease of \$504,333. The decrease is primarily attributable to an overall increase in non-operating expenses of \$274,216 which is mainly due to: affordable housing expenses increased \$407,262, from \$97,748 in 2023 to \$505,010 in 2024; Wyandanch economic development expenses increased \$289,859, from \$-0- in 2023 to \$289,859 in 2024; economic development expenses increased \$140,515, from \$550,458 in 2023 to \$690,973 in 2024; Copiague façade program expenses increased \$29,584, from \$-0- in 2023 to \$29,854 in 2024. These increases in non-operating expenses were offset by a decrease in Wyandanch health and wellness center expenses of \$391,451, from \$635,346 in 2023 to \$243,895 in 2024; and no transfer of lease right expenses recognized in 2024 compared to \$219,458 in 2023 relating to a transfer of a lease right to a developer for the completion of the building and expenses incurred for the Community Benefit program.
- In addition to the overall increase in non-operating expenses, there was also an overall decrease in non-operating revenues of \$230,117 which is primarily due to: inter-agency funds from the Town of Babylon Industrial Development Agency decrease of \$125,000, from \$125,000 in 2023 to \$-0- in 2024; Wyandanch health and wellness center revenue decrease of \$901,400, from \$951,400 in 2023 to \$50,000 in 2024. These decreases in non-operating revenues were offset by an increase in Wyandanch economic revenue of \$455,000, from \$300,000 in 2023 to \$755,000 in 2024; and community benefit agreement income increase of \$334,947, from \$371,591 in 2023 to \$706,538 in 2024.

Required Communications and Other Matters

| Required Item | Comments |
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| <p>Auditor's responsibility under professional standards and planned scope and timing of the audit</p> | <p>We have communicated such information in our engagement letter to you dated October 1, 2024. Generally, these responsibilities include:</p> <ul style="list-style-type: none"> • Forming and expressing an opinion on the financial statements. • Obtaining <i>reasonable assurance</i> that the financial statements are <i>free of material misstatements</i>, whether caused by error or fraud. • Accumulating and communicating uncorrected misstatements to Those Charged with Governance ("TCWG"). • Maintaining professional skepticism. • Communicating audit related matters that are, in our professional judgment, significant to TCWG. |
| <p>Supplementary information accompanying the financial statements</p> | <p>Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.</p> |

| Required Item | Comments |
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| <i>Other supplementary information accompanying the financial statements</i> | <p>Our responsibility for the other supplementary information accompanying the financial statements is to read the other supplementary information and consider whether a material inconsistency exists between the other supplementary information and the financial statements, or the other supplementary information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other supplementary information exists, we are required to describe it in our report.</p> |
| Required supplementary information accompanying the financial statements | <p>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.</p> |
| Our responsibilities under the Yellow Book | <p>In connection with our audit we performed tests of the Corporation's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.</p> |

| Required Item | Comments |
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| <p>Responsibilities of management and TCWG</p> | <p>Management's responsibilities include:</p> <ul style="list-style-type: none"> • The fair presentation of the financial statements, including the selection of appropriate accounting policies. • Establishing and maintaining effective internal control. • Complying with laws, regulations, grants and contracts. • Providing the auditors with all financial records and related information and a signed representation letter. • Evaluate if there are any 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 date of the Independent Auditors' Report, including any currently known information that may raise substantial doubt shortly thereafter. • Setting the proper tone at the top. • Designing and implementing policies and controls to prevent and detect fraud. <p>TCWG are responsible for communicating with the auditors and overseeing the financial reporting process.</p> |
| <p>Qualitative aspects of accounting practices - Accounting Policies</p> | <p>Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies are described in Note 1 to the financial statements. The application of existing policies was not changed during the year and no new accounting policies were adopted, except for the adoption of the provisions of Governmental Accounting Standards Board Statement No. 87, "Leases". The implementation of the aforementioned Statements resulted in the Corporation reporting an intangible right-to-use leased asset and a lease liability for the year ended December 31, 2024.</p> <p>The accounting policies of the Corporation conform to U.S. generally accepted accounting principles as applicable to state and local governments. The Corporation's reports are based on all applicable GASB pronouncements.</p> <p>We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus.</p> <p>All significant transactions have been recognized in the financial statements in the proper period.</p> |

| Required Item | Comments |
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| Qualitative aspects of accounting practices – Significant Unusual Transactions | No matters have come to our attention that would require us to inform you about the methods used to account for significant unusual transactions. |
| Qualitative aspects of accounting practices - Accounting Estimates and Management's Judgment | <p>Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.</p> <p>The Corporation has no accounting estimates that are particularly sensitive because of their significance to the financial statements and their susceptibility to change.</p> |
| Qualitative aspects of accounting practices - Financial Statement Disclosures | The financial statement disclosures are neutral, consistent and clear. |
| Going concern | <p>The auditor is required to communicate with TCWG events or conditions that, when considered in the aggregate; indicate a substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.</p> <p>We concur with management's assessment that the Corporation will continue as a going concern for one year from the balance sheet date.</p> |
| Significant Risks | <p>We have identified the following significant risks in connection with our audit:</p> <ul style="list-style-type: none"> • Management override of internal controls • Financial statement presentation and disclosure issues |
| Difficulties encountered in performing the audit | We encountered no significant difficulties in dealing with management in performing and completing our audit. |

| Required Item | Comments |
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| Corrected and uncorrected misstatements | <p>Professional standards require us to accumulate all known and likely misstatements identified during the audit (including passed adjustments and omitted financial statement disclosures), other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.</p> <p>In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.</p> |
| Disagreements with management | <p>For purposes of this communication, a disagreement with management is a matter, whether or not resolved to our satisfaction, concerning financial accounting, reporting, or auditing, which could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of the audit.</p> |
| Management representations | <p>We have requested certain representations from management that are included in the management representation letter.</p> |
| Auditor independence | <p>We affirm that PKF O'Connor Davies, LLP is independent with respect to the Corporation in accordance with relevant professional standards.</p> |
| Significant issues discussed with management prior to retention | <p>We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.</p> |

Internal Control Over Financial Reporting

| Required Item | Comments |
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| <p>Internal Control Over Financial Reporting</p> | <p>In planning and performing our audit of the financial statements, we considered the Town of Babylon L.D. Corporation II (the "Corporation") 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 express no such opinion.</p> <p>Professional standards require that we communicate to you, in writing, all significant deficiencies and/or material weaknesses in internal control that we identify in performing our audit.</p> |
| | <p>For this purpose, deficiencies in internal control are categorized as follows:</p> <ul style="list-style-type: none"> ▪ 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. ▪ 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. ▪ Material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. |

Internal Control Over Financial Reporting

| Required Item | Comments |
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| <p>Internal Control Over Financial Reporting</p> | <p>Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.</p> <p>We did not identify any deficiencies in internal control that are required to be reported to TCWG.</p> |

On the Horizon

The following statements have been issued by the Governmental Accounting Standards Board (“GASB”) and are to be implemented in subsequent years:

- GASB Statement No. 102, “*Certain Risk Disclosures*”, provides guidance on disclosures within government financial statements on risks related to a government’s vulnerabilities due to certain concentrations or constraints. A concentration is defined as a lack of diversity related to an aspect of a significant inflow or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government’s highest level of decision-making authority. Concentrations and constraints may limit a government’s ability to acquire resources or control spending.

Under this Statement, a government is required to assess whether an event or events associated with a concentration or constraint that could use substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for years beginning after June 15, 2025.

- GASB Statement No. 103, “*Financial Reporting Model Improvements*”, has been issued to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. The requirements of this Statement are effective for years beginning after June 15, 2025.
- GASB Statement No. 104, “*Disclosure of Certain Capital Assets*”, has been issued to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.